



# Reporting on a changing world

**PwC's Annual Review of Reporting  
Practices in the FTSE 350**

July 2021





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# Foreword



Welcome to PwC's annual review of corporate reporting in the FTSE 350. The context for reporting continues to be complex. This year's reporting season has once again taken place against a backdrop of the COVID-19 pandemic, adding new content to reports as well as posing challenges for preparers, boards and auditors.

At the same time there have been a number of ongoing initiatives, particularly the UK Government's consultation on the corporate governance, reporting and audit regime, the Financial Reporting Council's Future of corporate reporting project, and moves from a number of organisations that could lead to more standardised Environmental, Social and Governance (ESG) reporting. Between them, these could change the reporting landscape significantly for the future. And while reporting necessarily needs to evolve, it is important to recognise that companies have already had to deal with a range of new reporting and governance requirements in recent times, including growing pressure to report on issues such as climate change. With that in mind, our report this year focuses on suggesting practical responses to the demands of today's reporting that should also help to put companies in a good position for the future.

At PwC, we firmly believe that good corporate reporting does more than meet a regulatory requirement. It can also be a real indicator of a company's culture and a demonstration of its accountability to its stakeholders – making it a key part of the continuing effort to build trust in business. The findings of our review raise some challenging questions, suggesting that a substantial shift in reporting behaviour is needed in many cases. I hope you find our report useful and thought-provoking – particularly when so much about the future of the UK's corporate reporting framework is being debated.

A handwritten signature in black ink, appearing to read 'Hemione Hudson'.

**Hemione Hudson**  
Head of Audit  
PwC UK



# Introduction



**Mark O'Sullivan**  
Head of Corporate Reporting

**The key message of our review this year: it has never been so important for strategy to form the backbone of the annual report.**

Calls for businesses to strike a new balance between shareholder primacy and considering the interests of a wider range of stakeholders are now mainstream. The COVID-19 pandemic has intensified this trend. Many argue that a recovery strategy must be rooted in working towards a more inclusive and sustainable economy if business is to emerge more resilient.

Companies face real challenges in addressing these changes in their reporting. Without a single international set of standards for sustainability or ESG reporting to guide them, their efforts to comply with an alphabet soup of regulations, frameworks and guidelines often result in a superficial, inconsistent and confused reporting picture.

Work on such a set of standards is under way, but it will be some time before a unified approach emerges. The Financial Reporting Council (FRC) is also looking more broadly at the future of corporate reporting.

For example, it is emphasising the potential of a 'core-and-more' approach and a network of separate reports for different purposes.

In the meantime, the annual report is creaking. It's a report for shareholders that was not designed to address the needs of a wider range of stakeholders. So much has been loaded onto it, particularly in the last decade, that – if done well – it should now be far from the backward-looking document of record that it was for many years.

New requirements continue to be added and bring further complexities. But it can be argued that companies never quite got to grips with the most fundamental change of the last decade: the creation of a strategic report that gives a forward-looking and, as the name suggests, strategic view. For many companies and boards, it still feels foreign to be transparent about their plans.

Delivering that transparency is integral to effectively responding to the challenges that businesses face, and that makes it the key message of our review this year: it has never been so important for strategy to form the backbone of the annual report. Without that, it really isn't possible to see the wood from the trees in the mass of information that companies are under pressure to provide. Other, non-strategic information can be important, but for different reasons – such as its relevance to particular stakeholders. It would be a major step forward for more companies simply to be clear about this distinction.

With that in mind, we offer a number of enablers that can help capture the strategic significance of information as well as make the other information more useful. We hope you find this report useful, and that it can inspire continued discussion, both with us and inside your own organisation.

## Our review process

This is the 15th year in which we have reviewed the annual reports of FTSE 350 companies excluding investment trusts. The process informs the relevant parts of the PwC Building Public Trust Awards, which take place in the autumn. This year, we reviewed 270 reports with years ended from 30 April 2020 to 31 March 2021.



# The strategic backbone

## Why is it important – and why is it difficult?

The UK reporting framework is distinctive in the relevance that it places on reporting on strategy. There is strong support for this strategic underpinning, because a report that only looks back is unlikely to include all the information that would be material to shareholders. But it also brings significant challenges. The key issue: strategy is inherently forward looking, and many companies and boards are unwilling to commit themselves to what they see as forecasts of future performance. The concern is that they might be held accountable in future years or give away commercially sensitive information about company plans.

The strategic report is not about forecasts or commercial secrets. It's about identifying and communicating what is important to a company's future success – and why.

But the strategic report is not about forecasts or commercial secrets. It's about identifying and communicating what is important to a company's future success – and why.

Think about this style of reporting as 'turning the telescope around'. The report does not start from what a company is technically required to report, but from what is important to the business and its long-term sustainable success.

From this perspective, it's clear an annual report needs a backbone that's focused on what is strategically important. Such a backbone is also the key to creating the shorter, punchier reporting that the companies, directors and investors we speak with want to see.

What's more, it demonstrates that the management and Board have clearly identified – and are on top of – the issues most likely to be important to stakeholders. These issues are also the keys to a company's resilience and longer-term prospects.


## Reporting example


### Strategic backbone: Coca-Cola HBC AG, Integrated Annual Report 2020, p24-25

This two page spread presents an overview of Coca-Cola HBC AG's purpose, growth pillars, progress in the year and 2025 targets.

The growth pillars then form the backbone to the rest of the strategic report.

#### Enablers in focus<sup>1</sup>:

 Make connections across the reporting

 Be clear on the timeline

<sup>1</sup> Further details on the enablers are included on page 8 of this report



69

The average page length of strategic reports this year

15%

Increase from last year

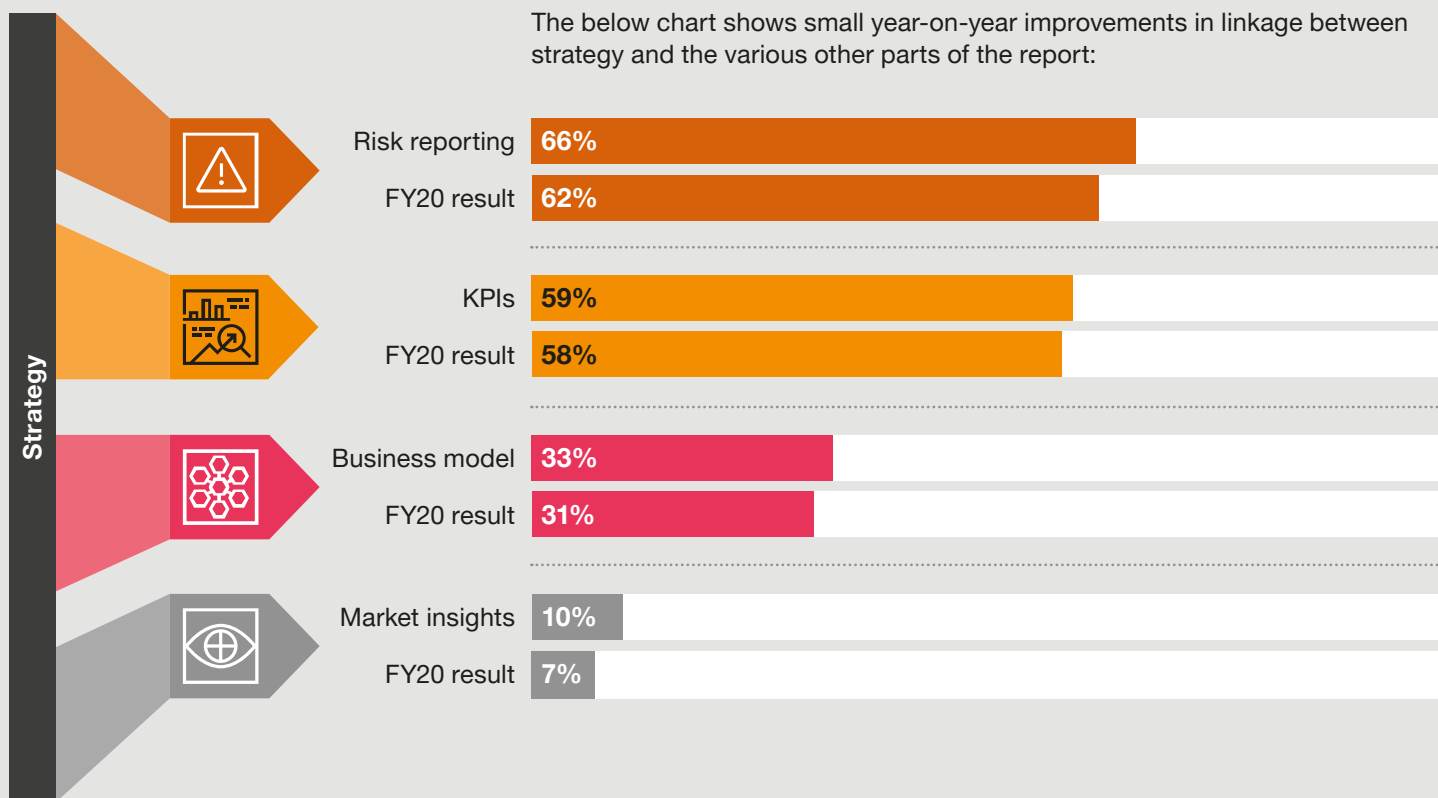
### What we found in our review

With growing scrutiny on companies and their reporting, there has again been the inevitable increase in the length of strategic reports year on year. The average length this year is 69 pages, up 15% from last year.

Although companies are reporting ever more information, they generally don't make clear the strategic relevance of the information they disclose. We believe a key test for quality reporting is how well companies can connect the corporate strategy to other key elements of the annual report. In this year's review, we saw a continued – if small – improvement in the number of companies providing a clear link between strategy and risk or market disclosures. But a significant proportion of the FTSE 350 has a long way to go if they are to present a strategic backbone to their reporting.

The key message of our review this year: it has never been so important for strategy to form the backbone of the annual report.

The below chart shows small year-on-year improvements in linkage between strategy and the various other parts of the report:



## What we found in our review (cont'd)

Even among companies that demonstrate strategic links to some extent, the connections they make can lack substance upon closer inspection. Some, for example, rely on symbols to show the links to strategy. This can be visually appealing, but fails to explain what the strategic relevance is.

The other critical element of an effective strategic narrative is the extent to which the information presented can be considered forward-looking. We saw an improvement this year in the forward-looking orientation of reporting on strategy: 37% of companies explicitly describe a strategy with a one-year time frame, compared to 30% last year. However, one year is far short of what most would consider a strategic timescale – the average period for a strategic plan mentioned in viability statements is three years, while much longer periods can often be found in ESG disclosures. And, while we have seen an improvement in the number of companies giving some indication of the periods to which strategy disclosures relate, it remains worrying that 50% (PY 65%) still provide no indication at all.

### Strategic backbone, risk and resilience

Having navigated the pandemic, companies are seeing a new emphasis on their resilience to sudden operational and financial shocks. In its Restoring trust in audit and corporate governance consultation, the Department for Business, Energy & Industrial Strategy (BEIS) proposes a new 'resilience statement' disclosure for annual reports that would encompass the issues currently addressed in going concern and viability statements.

We believe it will be important for this new statement to be grounded in a proper disclosure of the risks that could affect a company's ability to deliver on its strategy, including any sudden shocks. Therefore, the strategic backbone of the report – and the ability to identify and explain what is strategically important and why – should also form the foundation for this new statement.



# Building the backbone

## How to go about it – the enablers

From our work on reporting over many years, we have identified a number of enablers that can help companies to identify the issues that matter most – and report on these effectively.

The pages that follow will illustrate these enablers further:



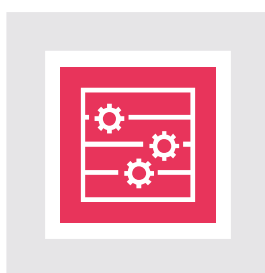
### Give a Board-level view

Use the issues that have mattered most to the Board as the starting point for reporting. These can be the so-called ‘principal decisions’, but they will often run wider than those.



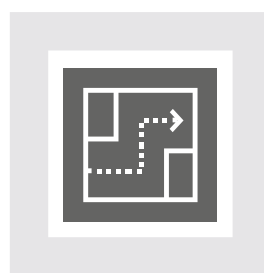
### Explain the significance of issues

Get behind the headlines and explain the relevance and significance of information, because many readers will not have detailed knowledge of the company.



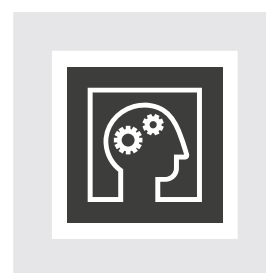
### Make connections across the reporting

Break down the silos and establish clear connections between different sections of the annual report and across other channels.



### Be clear on the timeline

Be clear about when an issue is likely to be most relevant.



### Present a fair, balanced and understandable view

Make sure the strategic story that emerges is part of a report that is fair, balanced and understandable as a whole.

## The strategic and the non-strategic

Strategic information, as we have said, should be the backbone of the strategic report. But annual reports must also respond to the needs of a wide range of stakeholders. This means including information that is not material (or is not yet material) when judged purely in financial terms, but has been determined to be material to one or more stakeholder groups. Organisations often do this as part of the growing ESG section of the annual report, and sometimes summarise the importance to stakeholders in a materiality matrix.

**Balancing corporate strategy and ESG strategy represents a real challenge for annual reports – as much of the non-financial information directed primarily at wider stakeholder groups is not yet seen as material for the strategy.**

Companies are also under pressure to deliver benefits for society, or at least to limit their detrimental impacts. This often drives, for example, an ESG strategy that is only loosely connected to the main business or financial strategy.

We are not suggesting that financial and ESG matters are inherently on unconnected, different tracks. There is widespread acceptance that what is good for a business’s key stakeholders will also be good for the business, at least in the long term. It does mean that balancing corporate strategy and ESG strategy represents a real challenge for annual reports – as much of the non-financial information directed primarily at wider stakeholder groups is not yet seen as material for the strategy.

These are high-level observations – they scratch the surface of a complex and shifting picture around sustainability and ESG matters. However, we believe our enablers can help organisations improve reporting on all of the information in annual reports – whether it is intended to be strategically relevant or relevant for other reasons.



## Applying the enablers

In the following pages, we set out our findings from this year's review of FTSE 350 reporting practices across several high-profile areas. Most of the areas will become increasingly important over the next few years. All will be strategically significant to different extents, depending on each company's individual circumstances.

With that in mind, we show the benefits of using the enablers to build the strategic backbone of the annual report, as well as to improve reporting on information that is primarily relevant for other reasons.

### Four high-profile areas

ESG and  
climate change

The COVID-19  
pandemic

Stakeholder  
engagement  
and section 172

Inclusion and  
diversity



# ESG and climate change

## What we found: ESG – a growth area

**21%**

of strategic reports on average represented by ESG sections

and

**74%**

of companies mentioned at least one non-financial reporting initiative – like GRI<sup>2</sup>, SASB<sup>3</sup> or the UN SDGs<sup>4</sup>

but, only

**30%**

integrated ESG into their core business strategy

and, only

**36%**

reported a purpose that obviously related to ESG matters

## Applying the relevant enablers

As our review shows, ESG and climate change is a major growth area in reporting. Our enablers should help companies to identify which aspects of ESG and climate change are of greatest strategic and financial significance, and over what time period. Using the enablers will also make it clear why other information is being provided.



### Give a Board-level view

Thanks to the increasing emphasis regulators, investors and other stakeholders are placing on ESG – and on climate change in particular – Boards are spending more time on these issues and in many cases are establishing specific Board committees to focus on them. However, the time they have invested is not always translating into insights reflected by Board activity or strategically relevant disclosures.

The Task Force for Climate-related Financial Disclosures (TCFD) framework includes a governance pillar, so there is almost always some disclosure of governance processes related to climate change where companies are reporting against this. But, while there is clearly a trend towards more references to ESG in governance reports (only 29% of companies make no reference at all), the discussion generally remains high level, focused on process, and disconnected from the narrative around governance in the TCFD disclosures.

It's not surprising, therefore, that the significance of ESG for companies and Boards is not coming through clearly. This is further illustrated by Boards reporting on their involvement with the development and delivery of strategy more generally: only around 24% of companies in our survey gave a good level of detail on any aspect of this. So it is unlikely that the strategic relevance of ESG matters would be the exception to the rule.

<sup>2</sup> Global Reporting Initiative

<sup>3</sup> Sustainability Accounting Standards Board

<sup>4</sup> United Nations Sustainable Development Goals



## What we found: ESG – the TCFD journey

**50%**

of companies  
reported on TCFD

and

**31%**

disclosed a future  
intent to report

**78%**

of those that reported  
on TCFD explained that  
they have more to do

and, only

**43%**

of those reporting on  
TCFD included something  
on scenario testing

## Applying the relevant enablers (cont'd)



### Explain the significance of issues

There is no doubt rising scrutiny on ESG issues has increased the space in annual reports devoted to this agenda but, as our survey shows, only 30% of companies made an explicit link between ESG matters and their core business strategy. And, while there has been an increase in references to ESG in the early pages of annual reports, too often the importance of ESG or an ESG-specific strategy only surfaces much later in the strategic report.

It's important for this to change. Companies will, for example, need to explain their approach to climate change – and the judgments the Board has made – for the new Listing Rule requirement to report against the TCFD framework on a comply-or-explain basis. If scenario analysis has not been included, for instance (as was usually the case in our survey), is this because it is not strategically material? Or is the plan to disclose this information in the future?

To be clear, there will be non-strategic ESG information in annual reports. Our statistics show that companies often refer to ESG-related frameworks and initiatives such as the UN Sustainable Development Goals (SDGs), though only 32% explained what they meant for their business and strategic decision-making. The SDGs provide a clear example of where a company's core strategy can be relevant to wider sustainability issues but is unlikely to be driven by them. Few disclosures capture this relationship clearly.

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## Applying the relevant enablers (cont'd)

### Reporting example

Scenarios and financial impact: Unilever plc, Annual Report 2020, pg 52

Unilever plc models the potential financial impact of temperature rises on their business.

In this extract they outline two scenarios and for each one explain the underlying assumptions, impact on the business, and the potential impact on both revenue and expenditure.

#### Enablers in focus:



Explain the significance of issues



Make connections across the reporting

#### Scenario: Potential impact of a 2°C temperature increase by 2100 (transition impacts)

##### Scenario drivers

Increased costs due to carbon pricing.

Increased raw material costs from zero net deforestation policies and a shift to sustainable agriculture.

##### Potential financial impact in 2030 if no actions to mitigate risks are taken

Turnover: **Not material**  
Expenditure: Estimated increase of **€0.8bn**

Turnover: **Not material**  
Expenditure: Estimated increase of **€0.9bn**

#### Scenario: Potential impact of a 4°C temperature increase by 2100 (physical impacts)

##### Scenario drivers

Chronic and acute water stress reduces agricultural productivity in some regions, raising prices of raw materials.

Increased frequency of extreme weather (storms and floods) causes increased incidence of disruption to our manufacturing and distribution networks.

Temperature increase and extreme weather events reduce economic activity, GDP growth and hence sales levels fall.

##### Potential financial impact in 2030 if no actions to mitigate risks are taken

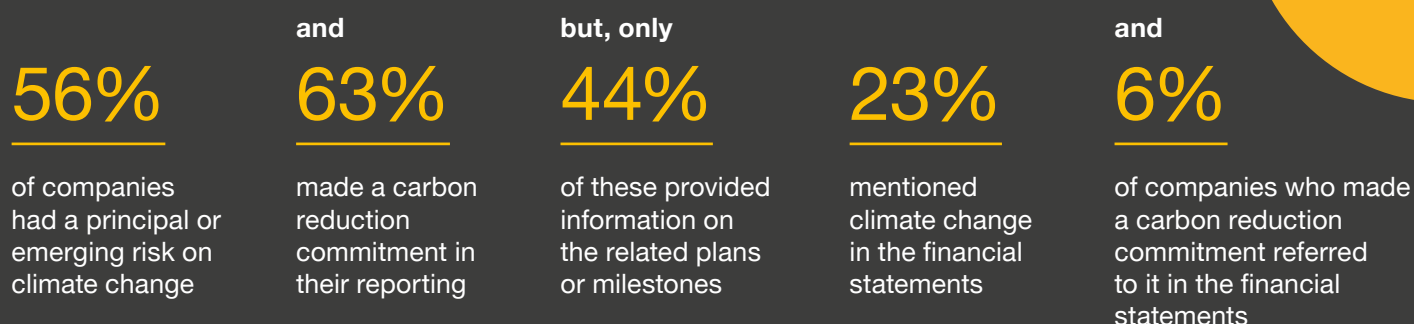
Turnover: **Not material**  
Expenditure: Estimated increase of **€2.7bn**

Turnover: Estimated reduction of **€0.4bn**  
Expenditure: **Not material**

Turnover: Estimated reduction of **€2.1bn**  
Expenditure: **Not material**



## What we found: ESG – the rise of climate change



## Applying the relevant enablers (cont'd)



### Make connections across the reporting

There are a number of requirements to consider environmental matters across the front half – for example, the s172 and non-financial information statements. With the introduction of the TCFD and other non-financial reporting frameworks, companies need to show consistency and connectivity between the different areas of the annual report.

However, this is not just a front-half issue. Major impacts from climate change, for instance, or carbon-related commitments will ultimately have financial impacts. But, despite the significant increase in front-half disclosures our review showed that few financial statements even mention climate change.

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The connection between the two parts of the annual report is not straightforward. Much is affected by the assumptions underlying the consideration of climate-related risks and preparation of the financial statements, and the differing timescales that can apply. Whatever the assumptions, stakeholders want to understand the financial impact of these matters. Therefore, where material, it's important to make the link between the front-half disclosures and back-half implications.







## Applying the relevant enablers (cont'd)

### Reporting example

**Climate Change and Financial Statement impact: Intertek Group Plc, Annual Report 2020, p141**

Within the significant accounting policies note, Intertek Group Plc outlines where climate change has been considered in preparing the financial statements, including expenses related to climate change, and conclude it was not material.

#### Enablers in focus:



Explain the significance of issues



Make connections across the reporting

#### Consideration of climate change

In preparing the financial statements we have considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report this year. There has not been a material impact on the financial reporting judgements and estimates arising from our considerations, consistent with our assessment that climate change is not expected to have a meaningful impact on the viability of the Group in the medium term. Specifically, we note the following:

- The Group has bought carbon credits in the year to offset our measured Scope 1, 2 and 3 GHG emissions, making 2020 our first carbon neutral year. The cost of purchasing these credits was less than £1m.
- The Group continues to invest in on-site renewable energy generation at our locations. Spend in 2020 was not material.
- We have specifically considered the impact of climate change on the carrying value of fixed assets (see note 8) and in our goodwill impairment assessment (see note 9).



## Applying the relevant enablers (cont'd)



### Be clear on timelines

ESG reporting is relevant to a range of different disclosures within the annual report. These often address different time frames – for instance, in going concern, viability, strategy and risks.

Clear timelines are among the most important aspects of disclosure in this area. When an issue is expected to be relevant, is a key determinant of its strategic significance.

Climate change (with the various physical and transition risks involved) and other ESG issues have short-, medium- and long-term implications that should be reflected in the relevant parts of the annual report.

The milestones for carbon-related commitments might also be important. These different timeframes will interact with the different time periods considered throughout the report and potentially go beyond these. So it is important to be clear about how they relate to one another.

## Reporting example

### Climate risks and mitigation activities/plans: Pennon Group plc, Annual Report and Accounts 2021, p77

Pennon Group plc outlines the physical risks associated with a 2 degree scenario analysis.

For each one they describe the potential impact on the business and set out examples of actions they've taken to manage the risk for future plans.

#### Enablers in focus:



Explain the significance of issues



Be clear on the timeline

PHYSICAL CLIMATE RISKS	KEY IMPACTS IDENTIFIED	EXAMPLES OF ACTIONS TAKEN TO MANAGE CURRENT RISKS	EXAMPLE OF ACTION PLANNED TO MANAGE FUTURE RISKS
Increasing frequency and intensity of droughts	Reduction in security of supply due to lower yields from rivers and boreholes.	Demand management and water efficiency, including PCC reductions to 127 l/h/d.	Water Resources Management Plan including demand management options i.e. increased metering, leakage reduction.
	Increased peak and daily demand from customers (e.g. watering gardens).	Leakage reduction strategy.	Drought planning beyond five years including more extreme events.
	Subsidence and pipe failures (more extreme winter soil wetting and summer drying patterns).	Investigation of regional water transfers.	Stochastic and multi-year drought analysis to test how water supply systems perform in extreme long droughts.
		Potential Abstraction Incentive Mechanism (AIM) schemes.	Collaborative water resource management planning - West Country Water Resources and Water Resources South East.
Increasing average temperatures and heatwaves	Decreased water quality.	Upstream Thinking.	Upstream Thinking expansion.
	Distribution network water storage insufficient for peaks in demand.	Granular activated carbon at WTWs.	Upgrade to granular activated carbon treatment at WTWs.
	More favourable conditions for invasive, non-native species (INNS) – impact on amenity value at reservoirs and impact on treatment works (e.g. zebra mussels blocking pipes).	Robust health and safety practices and management.	
	Increased health and safety risks with managing sludge (i.e. ignition risk and higher incidence of pathogens).		



## Applying the relevant enablers (cont'd)



### Present a fair, balanced and understandable view

As we have seen, ESG is on the rise and there is a danger that the relative profile of ESG information in the annual report will unbalance the report as a whole – this is especially the case as demand increases for broader ESG information beyond climate change. For example, when companies discuss their strategy and the progress against this, their reporting here rarely goes beyond two to three pages. However, ESG reporting takes up 21% of the strategic report on average, which could raise questions about the balance being struck.

This also leads to several more questions: Is all of the ESG information needed in the annual report? Or is there some that might be better served on the website or through other channels? And, if information is required in the annual report, can a clearer distinction be made between what is strategically relevant and what is relevant for other reasons?

How important an issue is to an organisation is often demonstrated by how it is reflected in executive pay. Our review found that the remuneration report is not always clear about the weighting given to ESG: 63% of companies include no reference to it in disclosures relating to bonuses and long-term incentive plans. Considering how much companies emphasise these issues in the rest of their reporting, this suggests that more clarity is needed about the connection between pay and ESG, as well as strategy.

### Non-financial information statements

The FRC requires UK companies that are Public Interest Entities with more than 500 employees to include this statement in their strategic report to ensure that reporting includes the strategic elements of non-financial information. In practice, more than 67% of the companies we surveyed presented the statement as an index table that linked to other information around the annual report – information that is usually designed for different purposes. In 33% of cases, these statements link to information outside of the report – and companies do this without distinguishing the elements that are or are not strategic. The FRC's Corporate Reporting Review Team has noted that 'it is not sufficient to refer to information disclosed elsewhere; for example on the company's website' – this is particularly important if the information can be considered strategically material.

Again, all of this emphasises the importance of clearly defining what is and is not strategic. It's likely that much of the information referred to in non-financial information statement tables should be indicated as complementary – legitimately leaving it outside the annual report.



# The COVID-19 pandemic

## What we found: COVID-19 – increased demands on governance

**11**

the average number of board meetings during the year

and

**48**

the highest number we saw

and

**65%**

appointed at least one new independent non-executive director

but, only

**33%**

gave any significant insight into the impact on directors' commitments

## Applying the relevant enablers

The pandemic has touched every business in some way, but its impact has varied depending on a company's business model and readiness to react. As a result, it is important to give users a clear understanding of the severity of the pandemic's effect on a business, up until now and going forward.

With the increased awareness of the possibility that such events could recur, the observations below might also be relevant to other issues that arise for companies going forward.



It is important to give users a clear understanding of the severity of the pandemic's effect on a business, up until now and going forward.



### Give a Board-level view

The pandemic had a significant impact on many companies' governance activities. Boards often met more regularly in response to the pandemic and reports referred to COVID-19 in many places – yet it was often difficult to get a proper overview. Disclosures often felt repetitive or even inconsistent, and 52% of reports did not have a disclosure that brought together the multiple impacts and subsequent responses to COVID-19. Few Boards really captured the practical difficulties of working remotely, sometimes with people they had never met or with people who had never visited the company's sites.

The pandemic has been widely used as a case study for stakeholder engagement (particularly with employees) and the application of s172 factors. Where we saw disclosures of this kind, they focused mostly on how well the interests of employees – and sometimes customers and suppliers – had been considered in the early stages. Difficult decisions were being made at that time, but very limited insight has been given into the balance that was struck.

Difficult decisions also continue to be made and will need to be in the future too. The context and rationale for the Board's judgements will need to be understood, along with the impact on the core financial strategy and longer-term business model.

Applying the relevant enablers (cont'd)



Explain the significance of issues

Companies can do more to explain the importance of the information they provide. Reporting on the pandemic has often felt polarised: it has either had a very serious impact or very little impact, but the reasons have not been made clear.

In some cases, it is obvious. Many reports contained information on how companies had made donations or contributed to the crisis response in their local communities. Such information was not financially strategic or quantitatively material, but it was still important for humanitarian reasons, and for the reputation of the company.

But in other cases, the significance of the information provided was not so clear, especially to those who are not industry experts. Even where potentially strategically important issues were discussed (such as pay cuts, non-payment of dividends or redundancies), their financial impact varied and still needed to be properly drawn out.


An emerging theme in our review is the need to explain why an issue is not seen as particularly significant or material. This observation can be as relevant to ESG and climate change reporting as it is to COVID-19-related reporting.


Reporting example

COVID-19 impact and future implications: Dunelm Group plc, Annual Report and Accounts 2020, p08-09

Dunelm Group plc provides an overview, by stakeholder, of the impact of the pandemic on their business, what they have learnt, and what it means for the business in the future.

**Enablers in focus:**

 Explain the significance of issues

 Be clear on the timeline

STRONGER TOGETHER

LISTENING, LEARNING AND EMERGING AS A STRONGER BUSINESS

During the Covid-19 crisis we learned how adaptable we were and what made our business resilient. We listened more to our colleagues and communities, and acted upon this insight. We recognised the value of empowerment, communication and relationships. We learned from our experience and emerged stronger together.

EMPOWERED COLLEAGUES AND FLEXIBLE WORKING



**Customer Lift**

**WHAT WE LEARNED DURING THE CRISIS**

- Colleagues felt more empowered while continuing to respect Dunelm's shared values.
- Across the business we experienced a greater sense of mutual trust.
- Colleagues were flexible, prepared to take on dual roles, and become more engaged in local community activities.

**£250**

We made a special thank you payment to every colleague to acknowledge their contribution

**HOW WE WILL EMERGE STRONGER TOGETHER**

- Recognise colleague demand for more flexible working and transient roles.
- Review colleague understanding of our shared values post-crisis.
- Rethink job descriptions and geographical boundaries to reflect mutual trust and widen access to internal talent.

**2 days**

In just two days after closing, our customer care and support centres were up and running again, with colleagues working from home

GREATER UNDERSTANDING OF COLLEAGUE WELLBEING



**Customer Care**

**WHAT WE LEARNED DURING THE CRISIS**

- Government guidelines prompted us to gain new insights into our most vulnerable colleagues.
- Hundreds of colleagues showed interest in our support fund, and wellbeing information hub and app.
- Benefits of understanding personal circumstances better and the 'indivisibility' of social life and work life when working from home.

**5,000**

Of our store colleagues have received Mental Health Awareness training to date

**HOW WE WILL EMERGE STRONGER TOGETHER**

- Continue to monitor, measure and protect our most vulnerable people.
- Expand and promote our colleague support fund and Retail Trust resource.
- Strengthen initiatives to promote our colleagues' physical, emotional and financial wellbeing.

**16%**

Of our colleagues are vulnerable, high-risk vulnerable (HRV), or care for other HRV household members



## What we found: COVID-19 – the road ahead

**83%**

of companies referred to COVID-19 in their going concern disclosures

and

**52%**

included stress testing in these disclosures

with

**22%**

quantifying the stress tests to some extent

but, only

**40%**

included any other forward-looking information

and

**11%**

acknowledged how COVID-19 has impacted their strategy

## Applying the relevant enablers (cont'd)



### Be clear on timelines

As our statistics show, the pandemic prompted a significant increase in the detail provided around companies' going concern assessments, including much more use of stress testing than we have seen in the past. These disclosures would often have benefitted from further explanation as to why a particular test had been performed, and what the potential impacts would be should such a situation occur.

The focus was almost always short term. Where companies did apply significant stress testing in relation to the impacts of the pandemic, there was rarely any connection made between the scenarios and narrative elsewhere on market trends, or any indication of outcomes beyond the short term. There was also no noticeable increase in the quality of viability statements in this regard.

This reflected an overall trend in COVID-19 reporting. While some of the long-term impacts of COVID-19 are still crystallising, others have become clear – such as the increase in working from home and the accelerated shift to online platforms. But, as our statistics show, companies rarely addressed medium- and longer-term implications for the business model and strategy. This again serves to illustrate how backward-looking many annual reports are.



### Present a fair, balanced and understandable view

As noted, we found limited evidence of trade-offs being discussed, or clarity about the judgments made, even in a context where there was a need to balance the interests of different stakeholders. We saw much more positive content on the actions taken – many of them taken by virtually every company – at the start of the crisis.

It's important to stakeholders – and for reporting in general – to provide a balanced view, and that balance needs to look ahead as well as back.

## Reporting example

### COVID-19 impact: Virgin Money UK PLC, annual report and accounts 2020, p 6-7

This table (extract) pulls together the short-term impacts of the pandemic across a number of areas, as well as the strategic response to more medium-term trends.

#### Enablers in focus:



Explain the significance of issues



Be clear on the timeline

## Short-term impacts from COVID-19

Impact areas	What we have seen	Our response
 <p>Uncertain economic conditions</p>	<p><b>The pandemic has led to the sharpest decline in GDP in modern times.</b> To cushion the impact, an unprecedented range and size of government support has been deployed to support the economy, businesses and individuals. In the short term, this has supported employment and house prices. However, the eventual removal of this support is expected to lead to adverse economic trends in 2021, which may also be impacted by the outcome of Brexit negotiations which remain unresolved at the time of writing.</p>	<p><b>The market's range of forecasts as to the depth of the recession and shape of a potential recovery have been wide.</b> Given the level of uncertainty, we have adopted conservative economic assumptions and weightings into our strategic planning, our International Financial Reporting Standard (IFRS) 9 provisioning and our expectations for future demand. We have therefore been working to ensure we have the resources to manage through an expected period of economic stress. This has also influenced our more cautious outlook and guidance, as set out in the CFO review on page 34.</p>
 <p>Customer behaviour</p>	<p><b>The customer response to COVID-19 has been rational and pragmatic.</b> Both consumers and businesses have reduced spending, lowered demand for credit, and where possible, have increased deposit balances and accessed payment holidays. Business customers have also utilised the significant support from government-guaranteed lending schemes. New housing demand was initially limited by lockdown, but has returned to surprisingly buoyant levels as homeowners reassessed their structural housing needs and were incentivised by a temporary stamp duty reduction.</p>	<p><b>Across our customer segments we have acted quickly to offer support to our existing customers.</b> Across the bank we have provided customers with c.127k payment holidays, using rapidly deployed and easy to use online solutions. In Business banking, our relationship managers have offered assistance and advice to customers, as well as administering the government-guaranteed lending schemes with c.£1.2bn lent to our customers. These unplanned customer support measures meant the Group incurred c.£14m of additional costs in 2020, causing us to exceed our original 2020 cost target.</p>

## Medium term trends

The mid-range outlook	Our strategic response
<p><b>While the decisive general election result in December 2019 suggested a period of greater clarity on economic policy, the pandemic has led to an unprecedented level of government intervention in the economy.</b> The level to which this will be maintained is unclear, and with the difficult to assess implications of Brexit and subsequent impact on the pace of any recovery, the long-term economic outlook is highly uncertain. Our long-term economic forecasts for IFRS 9 provisioning are conservative and reflect a weighted-average trough in GDP of c.15% in 2020, unemployment to peak at c.10% in early 2021 and a house price peak-to-trough of 22%.</p>	<p><b>While confident in the quality of our underwriting, the low-risk nature of our portfolios and the conservative assumptions in our provisioning, the unique combination of the pandemic and Brexit makes the out-turn for asset quality difficult to predict.</b> Further, while we remain confident that our existing strategy and 'self-help' opportunities to transform and digitise the business still exist, we have chosen to temper our expectations for customer growth, and the pace at which we will be able to grow income and reduce costs in the near-term. This means the achievement of our financial targets will be delayed, but we continue to expect the delivery of our strategy to enable the Group to deliver appropriate returns in the medium-term.</p>
<p><b>The impact on businesses and consumers is likely to persist for some time and certain sectors of the economy may suffer from continuing low customer demand or impacts from Brexit.</b> As such, we expect consumers will continue to need support, and be cautious in their spending and investment plans. This lack of confidence is likely to lead to muted lending demand from both consumers and businesses, although the impact may be uneven, with some elements of the economy expected to perform better than others. There is also uncertainty as to the extent to which the Group's currently elevated deposit balances may unwind as consumers and businesses potentially utilise their liquidity at a time of economic stress.</p>	<p><b>We will continue to support customers with appropriate forbearance, advice and restructuring of debt where appropriate.</b> We are increasing the amount of operational resources available to support customers in difficulty in anticipation of increased need for these services. We will continue to offer products within our target segments and in line with our long-term strategy, although new customer acquisition may be lower than previously expected in the near-term. We will also continue to develop our propositions and digital servicing capability to respond to greater customer demand for these services, while looking to optimise our balance sheet mix over the medium-term.</p>



# Stakeholder engagement and section 172

## What we found: The stakeholder agenda – focus on the main decisions

	and	but, only		
<b>85%</b>	<b>74%</b>	<b>22%</b>	<b>11%</b>	<b>31%</b>
of companies clearly identified the Board's principal or key strategic decisions	demonstrated the consideration of stakeholders for at least some of their principal decisions	addressed the long-term consequences of decisions	addressed the implications of decisions for the company's reputation	disclosed significant Board involvement in stakeholder engagement (whether direct or indirect)

## Applying the relevant enablers

Overall, the new reporting requirements have had a positive impact on the quality of stakeholder-related disclosures. But, as our findings suggest, there is scope for further improvement. Whether information is given in case studies or tables, it often doesn't demonstrate what has happened as a result of the engagement process.

There can also be tension between the regulation driving these disclosures and the volume and strategic relevance of the information. For example, the stakeholder engagement requirements, because they are technically required to be in the directors' report, do not have the strategic materiality filter afforded to disclosures required in the strategic report. This can lead to extensive disclosures on all stakeholders/engagement activities rather than on just those deemed strategically relevant.

**We strongly recommend companies to report well on all strategic matters considered by the Board – whether or not the Board was extensively involved in stakeholder engagement.**



### Give a Board-level view

This strategic/non-strategic tension is often clear in the disclosures about the Board's role in principal decisions or strategic matters.

Although principal decisions are often identified, our review shows it is not always clear how many of them are genuinely strategic. They are sometimes referred to as 'principal' or 'key' in the context of stakeholder engagement, rather than because of their connection to the core business strategy, and in some cases this may be the only time the issue is referred to in the whole report. These disclosures also often imply that few important decisions are made by the Board. This is not necessarily the message the Board will want to send, particularly at a difficult time.

The conclusion we reached was that some organisations preferred to limit the number of principal decisions they identified because that would raise the need to discuss stakeholder engagement in relation to those decisions. We strongly recommend companies report well on all strategic matters considered by the Board – whether or not the Board was extensively involved in stakeholder engagement. The key is to show that the Board had the appropriate level of involvement in the right issues – not that they were involved in everything.

There is also more to s172 reporting than stakeholders. This year, 59% of companies combined the s172 and stakeholder engagement disclosures. By doing so, many don't make clear how they considered the non-stakeholder aspects of directors' duties under s172, including the long-term consequences of decisions and maintain the company's reputation.

## What we found: The stakeholder agenda – clarity on outcomes and impacts

**62%**

identified stakeholders  
key issues, interests or  
concerns arising from the  
engagement process

but, only

**15%**

did so at more  
than a high level

**19%**

disclosed any impact  
on decision making

**22%**

discussed the need  
to balance the  
interests of different  
stakeholder groups

## Applying the relevant enablers (cont'd)



### Explain the significance of issues

We found there is still a tendency for companies to run through each stakeholder in turn and present a long list of engagement mechanisms. This might be driven by a desire to show that the requirements have been met, as well as – perhaps – to avoid any sense of favouritism.

High-level statements or lists can make it difficult for readers to judge what is really important. They want to know what key decisions were made in the year, how stakeholder views were taken into account and how the Board balanced any potential conflicting views. Using our ‘turn the telescope around’ approach, organisations could start from a small number of key strategic decisions and work back to show how various stakeholders were considered, where applicable. This would also have the benefit of stripping out content from an annual report already bursting at the seams.

The real arbiter of what is important in stakeholder engagement is the effect that it has. As we noted, most companies have work to do on this going forward. Currently, disclosures still generally focus on process rather than on impact and outcomes.



### Make connections across the reporting

There is an ongoing challenge around the structure of reporting, and how to make connections between the strategic, governance and directors’ reports.

The key is to do the necessary reporting once and do it well. There is no reason why a matter of strategic importance to a company cannot be discussed just once in the annual report, including the related governance, risks, key performance indicators (KPIs) and relevance to stakeholders. The reporting can be done wherever it makes most sense, with cross-references used to meet any technical requirements and to ensure the information is found by readers.

**The key is to do the necessary reporting once and do it well.**



## Applying the relevant enablers (cont'd)



### Be clear on timelines

One of the drivers behind the s172 and stakeholder reporting requirements was the recognition that many stakeholders have long-term interests in companies – these include people who work for these companies or who live alongside them. Some companies do address this, but there is generally relatively little disclosure about the timescales over which stakeholder-related matters are most likely to be relevant. One way to improve this reporting is to be clear on whether a key decision was operational/ short-term or if it reflected a more long-term matter relevant to the sustainability of the business model or strategy.



### Present a fair, balanced and understandable view

Not every interaction with a stakeholder and not every impact that a company has will be a positive one. While improving environmental performance from a low baseline is a step in the right direction, it does not mean that a company's impact is beneficial.

For the credibility of the relevant disclosures, companies need to make clear where they currently stand – whether clarifying where they are on their journey to Net Zero or other environmental commitments, how a decision has negatively impacted certain stakeholders, or how they have captured the inevitable trade-offs between the interests of different stakeholders.



## Reporting example

### Balancing stakeholder interests: Derwent London plc, Report & Accounts 2020, p117

This case study from the governance report demonstrates how stakeholder considerations were taken into account in making a key decision that was also discussed in the strategic report.

The case study explores how the decision benefits stakeholders and how the Board mitigated stakeholder concerns.

#### Enablers in focus:



Give a Board-level view



Explain the significance of issues



Present a fair, balanced and understandable view

## 19-35 Baker Street W1 – factoring our stakeholders into our decisions

The 19-35 Baker Street development is due to commence in H2 2021. This 297,000 sq ft project will consist of 217,000 sq ft of office space, 28,000 sq ft of retail space (20 units), and 52,000 sq ft of residential (51 units). The site will feature a new public passageway to a landscaped courtyard, providing retail and leisure amenity.

Our stakeholder impact analysis identified the following:

#### 1. Key benefits to our stakeholders

- The creation of a new central London destination, providing a east-west pedestrian link between Baker Street and Gloucester Place, new amenities and increased employment opportunities for the local area.
- The public experience at street-level will be enhanced.
- The new Baker Street office building will provide adaptable workspace for the future.
- We will continue to assist in improving local infrastructure, through s.106 contributions, Mayoral and Westminster Community Infrastructure Levy and Crossrail Contributions.
- In addition, Derwent London made significant contributions towards the Baker Street Two Way Project and will be replacing the paving around the development to enhance the street scene and safety for pedestrians.
- Our Main Contractor will engage with the City of Westminster to develop a programme for training apprentices and set targets for local employment and the use of local enterprises on the scheme, wherever possible.
- 30 Gloucester Place is a listed building which will be subject to extensive reconfiguration and refurbishment to create ten intermediate affordable residential units and office space at ground and lower ground. We will restore the condition of the building's exterior whilst improving its sustainability and connectivity.
- Sustainability has been integral to the project. Key features of the project are electric heating/cooling, air source heat pumps, smart building energy monitoring, water recycling bio-diverse roofs and verified carbon offset schemes. We are targeting certification of BREEAM 'Excellent' and LEED 'Gold'. The all electric scheme ensures zero emissions on-site which benefits local air quality. In addition, we will be planting new trees, with an enhanced plant scape within the courtyard.

#### 2. Mitigating our stakeholders key concerns

- Traffic: A traffic management risk assessment will be conducted. Traffic on-site will be planned and controlled carefully. The contractors and their supply chain will be signed up to the CLOCS standards for construction logistics. The site is well served by public transport links and main contractors will actively promote the TfL cyclist awareness Fleet Operators Recognition Scheme.
- The surrounding area and businesses: The project will be enrolled in the Considerate Constructors Scheme. A detailed construction logistics strategy will be developed to minimise the impact on the surrounding area by making the site as self-sufficient as possible. At all times, works will be carried out in a safe and considerate manner with due regard to the public, adjoining properties, businesses, and road users. A Site Environmental Management Plan will be prepared, incorporating relevant guidance identified within the City of Westminster Code of Construction Practice.

- Site waste: A site waste management plan will be followed with all contractors being required to investigate opportunities to eliminate/reduce waste at source. Of all waste materials, 98% will be diverted from landfill.
- Noise and dust: Noise and dust monitoring equipment will be positioned around the site to ensure that the site remains within the limits stipulated by Westminster City Council. The construction method used for each activity will be modelled in software in order to calculate noise levels. If the model exceeds trigger levels, adjustments will be made until the required noise levels are met. To limit dust, best practice measures will be implemented, including jet washing of vehicles, road sweepers etc.
- Vibration: A degree of vibration is likely due to the nature of the works, however this will be carefully controlled, if it cannot be eliminated. A vibration and movement monitoring strategy will be produced, which sets limits using British Standard 5228 and 7385.
- Community engagement: Throughout our planning process, we have maintained close engagement with local residents, via letters, public exhibitions and consultations. Condition Surveys and relevant Party Wall Awards will be completed prior to construction. During construction, the Main Contractor will engage with the local community via a Site Community Plan.

98%

of all materials will be diverted from landfill

19-35 Baker Street W1 – CGI of proposed scheme





# Inclusion and diversity

## What we found: Inclusion and diversity

A challenging area

<b>52%</b>	but, only	and
<b>31%</b>		<b>7%</b>
of companies described their diversity policy in detail	set out the objectives of the policy	linked the objectives to the core business strategy

Ethnic diversity and BAME

	and
<b>33%</b>	<b>22%</b>
included statistics on ethnic diversity, at Board level or for the company as a whole	included some disclosure related to the Black Lives Matter events

## Applying the relevant enablers

While much of the focus has understandably been on climate change, environmental issues represent just one element of ESG. In the social, or S, element of ESG, one area receiving much-needed attention is inclusion and diversity (I&D). While I&D is important in itself, and is currently under significant scrutiny from many organisations, it also provides a good case study for the challenges associated with ESG reporting more generally.



### Give a Board-level view

The UK Corporate Governance Code and the Disclosure Guidance and Transparency Rules (DTR) have relatively detailed expectations of the Board around diversity – both in terms of composition and sponsorship through the organisation. But the related reporting is often boilerplate and high level. It's a refreshing change when a nomination committee report expresses a true Board-level commitment to this high-profile agenda – we sense that many companies are missing an opportunity because their reporting does not reflect the underlying priority given to this within the organisation.

It's also remarkable how often the Board-level activities in this area are not reflected in the 'People' section of ESG reporting within the annual report, which can undermine the significance of those activities.



## Applying the relevant enablers (cont'd)



### Explain the significance of issues

Companies often provide extensive disclosures relating to I&D, consistent with the wider calls across society for organisations to improve their approach and impact in this area. Yet our survey showed how rare it is for a company's diversity policy to be linked in any detail to its core business strategy.

There are probably far more cases of I&D representing a strategic concern than our findings suggest. But even if the area is not material to the business strategy, organisations should be clear on their priorities and ambitions.

As noted above, the Code Provision on diversity has a number of elements, stating that a company should describe:

- The policy on diversity and inclusion;
- Its objectives and links to strategy;
- How the policy has been implemented; and
- Progress on achieving the objectives.

In our survey, many reports did not fully comply with all of these, or explain why. It was particularly unusual for companies to show how the objectives of their diversity policy linked to the core business strategy.

Not every aspect of diversity will be of the same importance to every company, so disclosures can and should be tailored to focus on the most relevant aspects. The societal focus on diversity can also have fundamental strategic significance. For example, organisations need an appropriately committed and qualified workforce, and they must maintain the loyalty and support of customers. Both goals become immeasurably more difficult if a company steps out of line with the attitudes of the people it relies on – or will rely on in the future.

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**Our survey showed how rare it is for a company's diversity policy to be linked in any detail to its core business strategy.**



### Present a fair, balanced and understandable view

Companies often focus on how they stand against the composition requirements established by the Hampton-Alexander and Parker reviews – particularly where they are in a reasonable position on one or both of these. But they do not give a sense of wider commitment to the agenda. Our survey also shows that relatively few companies provided data on ethnic diversity, and there is even less reporting on other aspects of diversity, such as social background.

Whatever the position on composition, it is a sensitive and complex area. Insisting, for example, that each appointment to the Board is made simply on merit – without defining merit any further – can give the impression that an organisation has an only superficial grasp of the issues.

The language used around I&D generally needs to reflect its specific importance to an organisation (strategic or otherwise), as well as the judgments that have been made and the extent of any commitments.

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**Relatively few companies provided data on ethnic diversity, and there is even less reporting on other aspects of diversity, such as social background.**



## Reporting example

### Scenarios and future plans: Taylor Wimpey plc, Annual Report and Accounts 2020, p86

The Nominations and Governance committee report explains the strategic importance of inclusion and diversity (I&D) and the key objectives of the I&D strategy.

It then explains how the company measures diversity performance and provides examples of how the data has been used to influence key improvements in employment terms and conditions.

#### Enablers in focus:



Give a Board-level view

#### Board and employee diversity and inclusion

Diversity and inclusion, in its widest sense, has continued to be a key item on the overall UK governance agenda during 2020. Within the Company, diversity and inclusion remained an area of focus throughout 2020 and will continue to be in 2021 and beyond.

Although the Committee and the Board will continue to recommend appointments and appoint based on skills, experience and merit, it is recognised that boards generally perform better when they include the best people from a range of backgrounds and experiences. Therefore, diversity and inclusion will continue to be a key consideration when assessing the composition of the Board and all of our teams to ensure the development of a diverse pipeline for succession. By embracing diversity and inclusion, the Board believes that the Company will better understand how people's differences and similarities can be harnessed for the benefit of all of our stakeholders, and improve the Company's ability to deliver the strategy.

Consideration of diversity was at the forefront of the Committee's considerations when reviewing the Board composition and balance during 2020 and whilst framing the widest possible brief for the recruitment of additional Independent Non Executive Directors. These appointments, scheduled to take effect on 1 March 2021, will fulfil the recommendation of the Parker Review to have at least one person of colour Director by 2021 and will also bring a refreshed set of skills to the Board, including experience of corporate finance, technology, property and public affairs.

To support the Board's diversity and inclusion policies and strategies, the Diversity and Inclusion Committee (D and I Committee) has continued its work to ensure that the Company is continuing to progress towards operating in a truly diverse and inclusive manner.

The D and I Committee, which is made up of a variety of members from across the Company, has been overseeing progress towards achieving the Company's Diversity and Inclusion Strategy and implementing and progressing initiatives in order to improve our performance. The Company's Diversity Policy, as set out on pages 88 and 89, focuses on the challenges faced in developing an inclusive and diverse workforce, with each regional business unit making an appropriate commitment to this. The diversity and inclusion strategy is based on the following key objectives:

- **21st century leadership** – We ensure that our leaders understand their role in developing a more diverse and inclusive culture and have the relevant training and support to achieve this.
- **Remaining an employer of choice** – We ensure that our working environment, policies, procedures and development and progression opportunities support greater diversity and inclusion.
- **Expanding our reach** – We develop broader recruitment channels, understand and embrace the diversity of our customers and workplace and improve engagement with them.

The Company has put in place systems to measure and monitor diversity around the Company more effectively. The data becoming available from these improved systems has assisted in designing and implementing a number of improvements to the Company's employment terms and conditions which we believe should facilitate access to and success at work for all. Some examples of these improvements are:

- A review of our gender pay gap – The Company's fourth Gender Pay Gap Report is available at: [www.taylorwimpey.com/corporate](http://www.taylorwimpey.com/corporate).
- Implementing a flexible working policy – During the COVID-19 pandemic, the requirement for our office based employees to work from home enabled the benefits of flexible and agile working to be demonstrated across the business. This has led to a review of our flexible and agile working policies which will be implemented in 2021.
- Developing our Young Persons Forums – These Forums provide an opportunity for young employees across the business to access training and information.
- Delivering unconscious bias training – The introduction of mandatory unconscious bias training for all employees has helped to raise awareness of the need to be more diverse and inclusive.
- Implementing our applicant tracking system – This new system has enabled us to reach a wider and more diverse talent pool.

**S** Read more on pages 34 and 35.

### The role of purpose and culture

Principle B of the UK Corporate Governance Code requires a Board to ‘establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned’. And Provision 2 of the Code states that the Board should ‘monitor and assess’ the culture and take action as necessary.

To do this, a Board will need to establish its views on the relationship between ESG matters and the business – this includes not only E (the company’s impacts on, and the implications of, the environment and climate change), but also S, or the relationship between the business and the society it operates in.

This means developing and expressing values and beliefs – along with the policies and procedures to support these beliefs – that then guide the organisation’s strategic choices.

A company’s reporting needs to capture all of this. Mainstream investors might be most interested in how the purpose, values and beliefs have guided the business strategy. But a range of other stakeholders will be looking to see that a company’s behaviours remain consistent with the environmental and social commitments it makes – and inclusion and diversity will be high on their list.

**89%**

of companies reported on their purpose in their annual report

**38%**

of that group demonstrate a clear ESG angle to their purpose.





# Key takeaways

This year's review of corporate reporting in the FTSE 350 demonstrates the particularly challenging landscape of reporting today – hence our desire to focus on making practical suggestions (summarised below) to help companies tackle the new emphasis on ESG and the interests of a wider range of stakeholders in an annual report which has the core business strategy as its backbone.

Just as important, however, is the tone from the top and the reporting culture that is established within organisations. It might be tempting to wait and see what emerges from the various consultations and initiatives that are currently underway. But we see clear value in taking action now. And we hope that management teams and Boards will encourage preparers to spend the time and energy needed to make these efforts work.



## Give a Board-level view

Capture the value of the Board's time in reporting.

Don't be afraid to integrate governance with strategic reporting.

Use Board focus as an indicator of what is important to the organisation.



## Explain the significance of issues

Explain what is important and why – especially if it's strategically important.

But don't ignore information that is important to wider stakeholders, even if it is not yet directly relevant to the reported results.

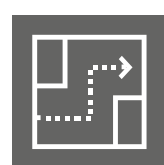


## Make connections across the reporting

Report well and report once, using cross-references to allow readers to easily navigate around the report.

Where links are used, explain why and what this means.

Check that issues are treated consistently across the whole annual report – front and back – especially on the impact of climate change.



## Be clear on the timeline

Make sure reporting includes forward-looking information where appropriate.

Always include information on timescales – this information can be a vital part of understanding a company's strategy and, more generally, what is most important to it.

Reflect the differing time horizons that can apply to different pieces of reporting, including the longer-term aspects of some ESG reporting.



## Present a fair, balanced and understandable view

Make sure that the overall balance in the annual report is right and reflects the relative importance of each piece of information.

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2021-06-28\_RITM5604220