

Showing the way forward

*Building Public
Trust 2012*

*'Excellence in
reporting' awards*

4 October 2012

Contents

Introduction	02
Foreword	03
The judging panel	04
View from chair of the judging panel	05
‘Excellence in reporting’ – top 10 in the FTSE 100	06
‘Excellence in reporting’ – award in the FTSE 100	07
‘Excellence in reporting’ – top 10 in the FTSE 250	08
‘Excellence in reporting’ – award in the FTSE 250	09
National Audit Office introduction	10
‘Excellence in reporting’ in the public sector	11
International Integrated Reporting Council introduction	12
Towards integrated reporting: 10 year anniversary international award	13
Charitable donations	14
BPTA 2012 award luncheons	16



National Audit Office

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

Introduction

The ‘Excellence in reporting’ awards 2012

This is the 10th year in which PwC has presented these annual awards for outstanding corporate reporting in both the private and public sectors. Once again this year, it gives us great pleasure to be presenting the public sector award in association with the National Audit Office.

This evening’s event showcases the three flagship awards for overall excellence in reporting in the FTSE 100, the FTSE 250 and the UK public sector. To mark the 10th anniversary of these awards, we’ve also added a new international award – ‘Towards integrated reporting’ – for companies listed outside the UK, the criteria for which have been prepared in consultation with the International Integrated Reporting Council.

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

Each award recognises the achievement of organisations that have excelled in the clarity and transparency of their reporting.

Foreword: Ian Powell



Welcome to PwC's annual Building Public Trust Awards, recognising and celebrating the best reporting by UK companies, public sector bodies and – this year – overseas listed companies.

PwC has presented these awards every year since 2003, making this our 10th annual event. And at no time have they been more relevant and important than they are today.

In recent months, PwC has hosted a series of round-table discussions on 'trust' with business leaders. The strong consensus was that we all need to address a 'trust deficit' that is now clouding the true value of business in society.

These awards play an important role in our efforts to help rebuild public trust which is key to a healthy, successful and growing economy. I firmly believe that success will require a concerted plan of action, with three key elements.

First, we need government to continue to speak up for the importance of business in creating jobs and wealth. Second, we as business leaders must also be prepared to speak up for British business. And third, those of us in the professions that support business need to embrace change and be prepared to engage more constructively with investors and other users of corporate reporting to understand their concerns.

As we gather this evening, the overarching task facing all of us is to rebuild the trust of society in the institution we represent. It's a challenge to which the organisations showcased in these awards have risen superbly. I urge others to continue to follow their example.

Ian Powell
UK chairman
PricewaterhouseCoopers LLP

The judging panel



In order of appearance: Charles Bowman, Philippa Foster Back OBE, Andrew Baigent, Andy Brough, Mark Wade, David Phillips, Chris Hodge, Liz Murrall, Roger Adams, Charles Tilley, Robert Hodgkinson

Andrew Baigent director general for financial audit, National Audit Office.

Andy Brough co-head of pan-European small and mid-caps, Schroders.

Charles Bowman senior corporate reporting partner, PwC (not on the panel).

Charles Tilley chair of the Building Public Trust Awards judging panel, chief executive of the Chartered Institute of Management Accountants and a non-executive director of Great Ormond Street Hospital and the Ipswich Building Society; formerly group finance director with Hambros plc and a partner at KPMG.

Chris Hodge director, corporate governance, Financial Reporting Council.

David Phillips trustee of World Wildlife Fund and Tomorrow's Company; also founder of the Building Public Trust Awards, and formerly senior corporate reporting partner at PwC.

Liz Murrall director corporate governance and reporting, the Investment Management Association. Chartered accountant and member of the IFRS Advisory Council.

Mark Wade independent advisor, sustainability; trustee of Tomorrow's Company; member of the supervisory board of the Academy of Business in Society; member of New Zealand Trade & Enterprise European Beachheads Board; formerly head of sustainable development strategy, policy and reporting, Royal Dutch/Shell.

Philippa Foster Back OBE director, Institute of Business Ethics.

Roger Adams director – special assignments, Association of Chartered Certified Accountants.

Robert Hodgkinson executive director technical strategy, Institute of Chartered Accountants in England and Wales.

Chair of the judging panel: Charles Tilley



While there is still a significant gap between the ‘best’ and the ‘rest’, the companies nominated this evening all exhibit the open and accessible communication that represents the optimal – indeed only – way for companies to earn trust from society at large.

An exciting innovation this year is the international award – ‘Towards integrated reporting’. The judging process for this award saw an especially lively debate among the panel members, as we compared and contrasted the reporting by very different companies from different parts of the world.

This is my fourth year as a member of the judging panel, and my second as chairman. Once again, I’m delighted to report that my fellow judges made my role very easy – both through the perceptiveness of their insights and analysis, and also the diversity of their viewpoints, including investors, regulators, standards-setters, and experts on sustainability and ethics.

I’m equally delighted to say that the standard of reporting by this year’s FTSE nominees showed a further improvement. Every company is on a ‘journey’ in this regard, and none can yet claim to have reached the final destination. But it is heartening that so many FTSE companies are making a real effort to develop comprehensive reporting.

For UK public sector reporting – as Amyas Morse highlights later – this has been a year of progress, with a welcome improvement in reporting from central government departments, and a strong set of nominated reports. As our shortlist confirms, the best public sector reporting is continuing to progress, though again many of the rest have some catching-up to do.

Overall, I commend all the organisations showcased this evening. Thank you to them – and to PwC and my fellow panellists for making these awards possible.

‘Excellence in reporting’ in the FTSE 100 – our highly commended top 10

As we reach our 10th annual Building Public Trust Awards, the continued improvement and innovation in corporate reporting from the leading reporters means it’s becoming ever more difficult to select the top three.

So, to demonstrate the breadth of companies innovating and leading the way in reporting, we’ve identified our top 10 ‘highly recommended’ companies in both the FTSE 100 and 250 over the past year.

Our top 10 companies (in alphabetical order) in the FTSE 100 for reporting excellence are:

ARM Holdings

British American Tobacco

BT Group

Capita

Fresnillo*

Johnson Matthey

Land Securities Group*

National Grid

Schroders*

Xstrata

* Shortlisted for the FTSE 100 ‘Excellence in reporting’ award this year.

‘Excellence in reporting’ in the FTSE 100

Judges’ criteria

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

- **Content:** a holistic and balanced picture of the company’s market environment, strategic priorities, business model, risks and performance – both financial and non-financial
- **Quality:** a forward-looking narrative supported by quantified data
- **Integration:** alignment between strategy, management actions and performance as well as a clear, consistent message across their reporting channels

Judges’ comments

The judges were pleased to see a continuation of the modest but steady year-on-year improvement in the quality of reporting from FTSE 100 companies. However, as in previous years, they also expressed concern over the persistent gap between the best and worst reporters. Reporting on business models showed particularly strong progress, in the wake of new requirements introduced last year. And the best reporters are continuing to push back the boundaries of corporate reporting by innovating both in content and presentation.

Winner

Fresnillo

Making its first appearance on the shortlist, Mexican silver miner Fresnillo scoops the award with hugely improved and highly innovative reporting, particularly the outstanding risk appetite and rating table. The annual report opens with a strong statement from the CEO linking sustainability and strategy, and maintains pace and quality throughout with excellent integration of strategic messages and risks, supported by strong detail and graphics. Overall, outstandingly clear – and engagingly frank – reporting.

Highly commended (in alphabetical order)

Land Securities Group

Land Securities maintains its consistently strong track record with accessible, comprehensive reporting across all key elements of the framework. The judges were especially impressed by the excellent segment reporting, including performance against targets, future objectives and individual business models. They also noted the strong risk reporting that provides effective links to the main narrative and an overview of how risks had changed in the period.

Schroders

Schroders is marked out by its innovative approach to financial reporting. The ‘back-end’ financial numbers in its annual report are closely integrated into the narrative and highly accessible, demonstrating a deep understanding of its investors’ information needs. There’s also an excellent overview of strategy and how it delivers value through the business model. The graphic representation of emerging risks is equally impressive.

‘Excellence in reporting’ in the FTSE 250 – our highly commended top 10

Our top 10 ‘highly recommended’ companies (in alphabetical order) in the FTSE 250 for reporting excellence over the past year are:

African Barrick Gold

Balfour Beatty

Berendsen

bwin.party

Great Portland Estates*

Inchcape

Provident Financial

Shanks*

Telecity

UBM

* Shortlisted for the FTSE 250 ‘Excellence in reporting’ award this year.

‘Excellence in reporting’ in the FTSE 250

Judges’ criteria

As in the FTSE 100 category, the judges were seeking excellence across the three pillars of corporate reporting: content, quality, and integration.

Judges’ comments

These three shortlisted annual reports from three very different businesses serve to highlight the rising quality of the best reporting in the FTSE 250. Indeed, the

judges felt that the quality of communication in these reports was at least the equal of that in the FTSE 100 category, and higher than many in that sector. There was a lively debate over why this was the case – with suggestions ranging from the greater ease of reporting on a smaller, simpler FTSE 250 business, to the possibility that their lower profile drives them to explain themselves more clearly. Whatever the reasons, the panel rated all three reports as ‘terrific’.

Winner

Shanks Group

Highly commended last year, Shanks returns to clinch the award by improving still further on its already outstanding reporting. Concise and accessible, the annual report provides a detailed and well-signposted tour of the dynamics, market drivers and underlying economics of Shanks’ business. The clear articulation of the three legs of its business model is especially striking. Overall, a compelling story well told.

Highly commended

Great Portland Estates

A noted innovator in reporting over many years, Great Portland Estates maintains its track record with a clear, highly readable and easily navigable annual report. The underlying strategic themes are woven in throughout, supported by strong use of colour, explicit cross-referencing and consistent language. The linkage between operational results and financial performance is especially well-explained.

National Audit Office introduction: Amyas Morse



The judging panel also agreed that tonight's nominated organisations – and many others across the public sector – are showing a clear and positive commitment to enhancing the quality and clarity of their reporting year on year.

It makes good sense for the NAO to be involved with these awards as part of our commitment to helping to raise the standards of public reporting. We look forward to continuing to work with HM Treasury, our clients and other stakeholders including PwC to promote continued progress in the years ahead.

***Amyas Morse
Comptroller and auditor general
National Audit Office***

Once again, the National Audit Office is pleased to join PwC as co-sponsor of the 'Excellence in reporting' award in the public sector.

As the chairman of the judging panel pointed out earlier in this programme, this has been a year of progress for reporting by public sector organisations.

Last year's period of transition – caused by the coincidence of a change of government and a new basis for public sector financial reporting – is now over. The public sector judging panel was therefore happy to see a consequent improvement in reporting by the major central government departments, though none made the shortlist.

‘Excellence in reporting’ in the public sector

Awarded jointly by PwC and the National Audit Office

Judges’ criteria

PwC and the NAO used a public sector-tailored version of PwC’s Corporate Reporting Framework to assess the annual reports from 135 organisations across the public sector, including central government departments, large agencies, non-departmental public bodies, NHS and local government bodies. The best 40 reports were then scored in detail, and the findings scrutinised by a specially-convened public sector judging panel for clarity, honesty/transparency, governance and sustainability.

Judges’ comments

The nominated reports reflected a positive rebound in quality from a relatively poor previous year, when public sector reporting was constrained by the change of government and new reporting standards. While they welcomed this improvement, the panel were disappointed not to see any central government departments making the shortlist, but felt the complexity of their reporting framework may be a barrier. The judges were especially pleased to see an NHS body win a nomination for the first time.

Winner

Defence Science & Technology Laboratory

Despite being a complex organisation with sensitive security requirements, DSTL paints a superbly clear picture of its business, workforce and wider environment, in an engaging, well-presented annual report. Income and expenditure are clearly set out, using tables and charts to compare yearly performance, and the case studies are excellent. Overall, a great role-model for public sector reporting.

Highly commended (in alphabetical order)

Cambridge University Hospitals NHS Foundation Trust

Exemplifying the advances being made in reporting by the leading NHS bodies, the Trust provides a comprehensive, balanced and open view of its objectives and achievements. Measures of progress are clearly laid out in the directors’ report, and the chairman’s report demonstrates admirable balance, discussing challenges before elaborating on achievements. The analysis of risks is broad-ranging and insightful.

Highways Agency

The Highways Agency maintains its strong showing in these awards with a concise and engaging annual report, well-integrated with its strategy document and website. The reporting on sustainability and climate change risks is outstanding, and photos and case studies bring the agency’s activities to life.

International Integrated Reporting Council (IIRC): Peter Bakker



As deputy chairman of the IIRC, and president of the World Business Council for Sustainable Development, I warmly welcome PwC's inclusion of this international award – 'Towards integrated reporting' – in the 10th 'Excellence in reporting' awards.

Put simply, integrated reporting is the future of corporate reporting. In the next 35 years the world's population will grow from seven billion to nine billion. Global business leaders not only need to change the way they think and behave, but also need a new language to communicate how they are creating and preserving value beyond the current financial definition thereof.

Integrated reporting will become the language of sustainable business through creating the globally accepted International Integrated Reporting Framework. Tonight's award comes at an exciting time for the IIRC, as we prepare to circulate a prototype framework at the end of 2012, ahead of a consultation draft by mid-2013, and 'version 1.0' of the final framework in late 2013.

I have no doubt that the IR framework will accelerate the global evolution of corporate reporting. And I'm delighted to collaborate with PwC in navigating and accelerating this journey.

Peter Bakker
Deputy chair
International Integrated Reporting Council

Towards integrated reporting: 10 year anniversary international award

Judges' criteria

Introduced to mark the 10th annual Building Public Trust Awards, this award looks to the future by recognising progress towards integrated corporate reporting by companies worldwide. Using criteria prepared in consultation with the IIRC, the selection process examined companies based in 25 countries, screening their reporting for content, quality and linkage with a particular focus on whether reporting brought together material information about the organisation's strategy, governance, performance and prospects in a way that reflected the commercial, social and environmental context within which it is operating.

Judges' comments

The judges agreed that integrated reporting represents the future of corporate reporting globally, and that the nominated reports from three very different companies in different markets each highlighted different ways of moving towards integrated reporting. The judges commended the steps taken by the shortlisted companies to be innovative and seek to demonstrate the continued relevance of their business now and in the future. Some panellists also expressed the view that relatively simple businesses appear to be making faster progress along the journey towards integrated reporting, reflecting the greater ease of integrating all their elements and drivers.

Winner

PotashCorp

Canada-based PotashCorp claims the award with a readable and highly accessible report structured around its business model, with clear linkage between key value drivers, why they matter, objectives, strategy and performance, both financial and non-financial. The CEO's account of the challenges of feeding the world's growing population is both powerful and insightful, and is well-supported with data. The analysis of operations by segment is also excellent.

Highly commended (in alphabetical order)

Akzo Nobel

Dutch multinational Akzo Nobel begins its annual report by describing its strategy, built around the twin pillars of value creation and proactive sustainability. These themes are then woven throughout the reporting, linking strategy explicitly with targets, risks, remuneration and performance. Consolidated performance statements present financial and non-financial performance in easily-comparable ways, giving equal weight to each.

Vodacom

Taking an approach that one of the judges termed 'less is more', African mobile communications company Vodacom has produced a concise and easily navigable report, closely aligned with its brand in appearance and readability. Structured around the business model and strategy, the report describes clearly and simply how the company is run, including the relevance of different stakeholders. The reporting is balanced, with the 'good' and 'not so good' easily accessible within each section. Particularly strong is that this move to integrated reporting is also reflected in management reporting.

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



The Beyond Food Foundation

The Beyond Food Foundation is a charity that works to motivate and inspire people who are at risk of or have experienced homelessness to gain meaningful employment.

The foundation runs two programmes to do this; Freshlife, and the United Kitchen Apprenticeship. Both of these programmes use food as a catalyst to build relationships, talk openly, and support and challenge individuals through their development. Our holistic approach ensures that we fully support everyone we work with and gives them the best chance at success.

The United Kitchen Apprenticeship is a fully certified apprenticeship programme run in partnership with Brigade and Babcock International. Throughout the programme apprentices gain an NVQ Level 2 Diploma in Professional Cookery as well as real work experience in the kitchens at Brigade. In addition they receive 1:1 mentoring, and pastoral support as well as employability coaching to ensure they are ready for employment following the apprenticeship.

www.beyondfoodfoundation.org.uk

School for Social Entrepreneurs

Since 1997 the School for Social Entrepreneurs has offered accessible, practical learning programmes for social entrepreneurs, who, by establishing organisations such as charities and social enterprises, play a crucial role in transforming the communities they serve. These action learning programmes consist of a combination of expert witness sessions, project visits, action learning sets, residential learning, and individual coaching and mentoring. Each individual on the programme is recruited on the basis of their characteristics and life experience, rather than their qualifications. SSE's experience is that the peer support and group learning benefits are maximised by a diversity of intake, of project, and of personal background. To date, more than 800 social entrepreneurs have been supported to set up or expand social organisations and projects across the UK and become part of the SSE Fellowship network. A further 200 students are currently going through the programme.

www.the-sse.org



The Wildfowl & Wetlands Trust

The Wildfowl & Wetlands Trust (WWT) is the UK's leading wetland conservation charity saving wetlands for wildlife and people across the world. WWT manages 2,600 hectares of important wetland habitat at our network of UK visitor centres, providing opportunities for almost a million visitors a year, including over 50,000 schoolchildren, to engage with and be inspired to protect wetlands and their wildlife.

Wetlands are vital for people (providing fresh water, food, flood prevention, etc), and for the huge range of wildlife that depend on them. Yet wetlands are being destroyed more rapidly than any other ecosystem. WWT is committed to working on conservation programmes to save these essential habitats, and to protect some of the most endangered wetland species from extinction in the UK and across the world.

www.wwt.org.uk

Building Public Trust – 2012 awards luncheons

The following Building Public Trust Awards will be presented at separate events on the dates below:

Sustainability Reporting in the FTSE 100 & 250

Sustainability Reporting in the Public Sector
(awarded jointly by PwC and the National Audit Office)

Winners and highly commended organisations announced at formal awards luncheon on

1 November 2012

People Reporting in the FTSE 100

Executive Remuneration Reporting in the FTSE 100 & 250

Winners and highly commended companies announced at formal awards luncheon on

22 November 2012

Tax Reporting in the FTSE 100 & 250

Tax Reporting in the FTSE 350 Extractives

Winners and highly commended companies announced at formal awards luncheon on

6 December 2012

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What does effective reporting look like?

Over 200 examples of good practice reporting

Knowing what 'excellence in reporting' looks like in practice can be a challenge – this collection of over 200 real good practice examples addresses that. It can be searched by industry, region, reporting topic and company. Visit 'good practices' at www.pwc.com/corporatereporting

www.bptawards.com

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