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Navigating the trust journey

Building Public Trust Awards 2014

Reporting of corporate governance, executive remuneration, people, sustainability and tax

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pwc

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NAO National Audit Office

The Building Public Trust Award for sustainability reporting in the public sector is awarded jointly by PwC and the National Audit Office.

Introduction

The Awards 2014

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

Today's lunch event showcases several long-established flagship awards, together with two new awards being presented this year for the first time. The long-standing awards are for executive remuneration reporting in the FTSE 100 and FTSE 250; people reporting in the FTSE 100; sustainability reporting in the FTSE 100, FTSE 250 and public sector; and tax reporting by extractive companies in the FTSE 350, and also by companies in other industries in both the FTSE 100 and FTSE 250. The new awards this year are for excellence in reporting on corporate governance in the FTSE 100 and FTSE 250 – an expansion of our awards programme that reflects and acknowledges the growing importance of, and focus on, reporting on this key area.

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

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

Foreword: Ian Powell

I'm delighted to welcome you to PwC's annual Building Public Trust Awards luncheon, where we recognise and celebrate the best reporting in corporate governance, executive remuneration, people, sustainability and tax by UK companies and sustainability reporting by public sector bodies.

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

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

With the return of economic confidence, there's a great opportunity for all of us to help to nurture a recovery in trust, by forging a common understanding founded on transparency, honesty, integrity, and an embedded culture of doing the right thing.

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

Ultimately, all of us here this afternoon are responsible for ensuring that the organisations we represent are worthy of public trust. This afternoon's nominees have made great strides towards doing this.

Ian Powell
Chairman and Senior Partner
PricewaterhouseCoopers LLP

Chair of the judging panels: Charles Tilley

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

This year I valued their support more than ever, given the expansion of the programme to include some new awards. Two of these are being presented today, for corporate governance reporting in the FTSE 100 and FTSE 250. The increase in the portfolio of awards meant we needed to hold two judging panel sessions to assess them all. I might add that the shortlisting and judging processes remain the most rigorous I have ever seen.

All of this is testament to the commitment and hard work of the PwC team and the external judges, and I thank them all for their sterling efforts. I'm equally pleased to say that the best corporate reporting is continuing to improve. Indeed, looking back over the six years since I became involved, the progress has been dramatic.

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

This journey is being fuelled by new and innovative ways of presenting information, and by a readiness among companies to disclose more than the bare regulatory requirements. In this regard, the rate of progress varies in different categories: as we highlight later in this brochure, people reporting is currently making great strides, while reporting on executive remuneration – with some honourable exceptions, as exemplified by our shortlisted organisations – has taken a backwards step as companies come to terms with new regulations.

However, the overall trend is towards better reporting. And the best illustration of this progression is the way growing numbers of companies are using their strategy to underpin their report, and reporting on their interrelationships with the economy and wider society, while using links to digital sources to keep their reporting concise and readable.

As the nominations for the public sector sustainability reporting award demonstrate, public sector reporting is on a similar journey, albeit at an earlier stage. But, as in the private sector, I am sure that the example set by the leaders will continue to encourage others to learn from and follow their example.

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

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

The judging panels

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

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

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

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

Stephen Haddrill, CEO, Financial Reporting Council.

Angela Knight CBE, CEO, Energy UK.

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

The Right Hon the ***Lord Jack McConnell***

Sir Chris Powell, Chairman, the Advertising Standards Board of Finance.

Andrew Hind CB, Editor, Charity Finance.

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

The judging panels

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

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

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

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

Jeremy Beeton, NED, SSE plc.

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

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

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

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

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

Ian Pearson, Director, IPP Associates Ltd.

David Phillips, Trustee, World Wildlife Fund.

Lady Susan Rice CBE , Managing Director, Lloyds Banking Group Scotland.

Rod Sellers OBE, Chairman, Seddon Solutions Ltd.

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

Corporate governance reporting in the FTSE 100 and FTSE 250

Introduction by Gillian Lord, reputation and policy, PwC

This is the first year in which the Building Public Trust Awards have included an award for corporate governance reporting. In my view, its introduction is both well justified and timely.

Robust and transparent corporate governance is the bedrock of trust among investors – indeed among all stakeholders – in any company. It follows that fair, balanced and understandable reporting on corporate governance goes right to the heart of the Building Public Trust mission.

As well as being critically important to trust, corporate governance reporting is also undergoing a period of change and transition, making this an opportune time to launch an award in this area. It is now just over two years since the FRC introduced the UK Corporate Governance Code 2012, focusing particularly on reporting and the work of the audit committee. These provisions supplemented the 2010 Code, which dealt largely with the board's responsibility for establishing appropriate culture and behaviours.

As companies have moved to adapt to these changes, their responses have been complicated by the wider governance challenges facing all boards in today's fast-evolving business environment. In a world where major companies are confronted by a constantly changing risk profile and ever-expanding flood of data, establishing and maintaining effective governance has never been more difficult. And what is effective today may not be effective tomorrow.

These complications are both helping to reshape the way corporate governance is reported, and also intensifying the ongoing debate about how this can best be done, not just around boardroom tables but also across the investment community. The urgency of this debate is increased by the vital importance for boards of demonstrating they have a firm grip on the business.

With this in mind, the goal of this new award is to encourage and enable all companies in the FTSE 100 and FTSE 250 to improve their reporting of corporate governance by showcasing examples of leading practice and reporting excellence. However, PwC's experience in this area, and our assessment of all FTSE reports for this award, suggest there remains scope for improvement – and we look forward to helping this to happen.

There is clearly a degree of overlap between the best reporting on corporate governance and the best corporate reporting in general. This is why we made a high standard of overall reporting one of the criteria for admission to the shortlist for this award. But there are many attributes and qualities that contribute uniquely to the best governance reporting. From this year onwards, this award will seek out and reward those attributes in this vital area.

Corporate governance reporting in the FTSE 100 and FTSE 250

Judges' criteria

Since a key indicator of good corporate governance is open, transparent and high-quality reporting and stakeholder communications, the screening for this award began with an assessment of the overall standard of corporate reporting by every company in the FTSE 350. Those judged to be of sufficient standard were then submitted to specific screening of their governance reporting. In undertaking this screening, the assessment team were looking for governance reporting that aims to communicate substantive messages about the particular company – not just a generic, box-ticking approach. In line with this focus, the judges were looking for governance reporting that:

- Describes activities and actions, not just responsibilities.
- Explains how governance has been applied to the key developments across the business during the year, not just as a separate or siloed activity.
- Provides insight into any significant governance issues faced by the company, including the reporting of the board evaluation process.
- Responds successfully to the recent changes in audit committee reporting.

Judges' comments

While the judges were impressed with the quality of all the nominated reports, they felt that the corporate governance reporting by the FTSE 100 nominees was generally a cut above that from the FTSE 250, perhaps reflecting their greater focus and investment in this area. The judges also noted that the recent changes in the reporting regime had helped to stimulate a significant improvement in the quality of Audit Committee reports, particularly in the FTSE 100 – a development that some members of the panel contrasted with executive remuneration, where the need to comply with new regulations has had the initial unintended effect of reducing the clarity of RemCos' reporting. A further attribute of several of the nominated reports that attracted positive comments from the judges was the strong use of case studies to demonstrate effective governance in action. Overall, there was a sense that corporate governance reporting is heading in the right direction, with many strong examples of good practice available for companies to learn from and potentially adopt in the future.

Corporate governance reporting in the FTSE 100

Winner

Barclays

Barclays wins the inaugural Building Public Trust corporate governance award with reporting that combines technical excellence with a very unusual level of insight, making it both comprehensive and also highly communicative. Explicit linkage between governance and the business confirms for the reader that this in not governance reporting in a 'silo', but an inherent part of showing how the board is addressing the group's recent issues. The audit committee report responds well to the recent changes, and describes openly and explicitly how governance is being applied to previously problematic areas. One judge summed up the common view among the panel: "Barclays' report shows that the board has really got 'stuck in' to how it drives the organisation – and it's also a good read".

Highly commended

(in alphabetical order)

BG Group

BG Group has produced a very clear and comprehensive report that provides detailed and credible insight into how the company is governed. A two-page section sets out how the principles of the Governance Code have been applied, freeing up the rest of the report to focus on communicating, reinforcing and embedding the key messages. The judges were especially impressed by the reporting on the board evaluation process, which – as well as addressing the current year – also focuses on reporting back on progress against the previous year's recommendations.

Land Securities Group

Land Securities' governance report is succinct and clearly laid out, making good use of charts and tables for standing data and specific disclosure requirements. The reporting provides a high degree of insight into important areas of its business including property valuation, the board evaluation, and investor relations. Conflicts of interest are addressed up front, an approach praised strongly by one of the judges. The panel were also impressed by the report's strong use of case studies to demonstrate how governance has been applied across the business.

Marks and Spencer Group

Marks and Spencer focuses clearly on showing how governance has been applied to the key strands of its business, including explaining its 'Plan A' and other strategic initiatives. The regulatory changes to audit committee reporting have been implemented skilfully and effectively, notably in areas including auditor effectiveness and the committee's role in advising the board on the 'fair, balanced and understandable' statement. The judges noted in particular the high quality of reporting on investor relations and the company's engagement with both institutional and private shareholders.

Corporate governance reporting in the FTSE 250

Winner

Ocado Group

Ocado wins the FTSE 250 award for governance reporting with an attractive and well-designed annual report that provides the key information clearly and succinctly, without burying it in 'boiler-plate' disclosures. In particular, the judges noted how the most relevant areas of the Governance Code were pulled out in the chairman's governance introduction, and in the audit committee report. "Overall, this is reporting that's very clear, logical, readable and well-integrated," commented one member of the panel. The judges were also impressed by Ocado's strong use of embedded links between its online information and annual report.

Highly commended

(in alphabetical order)

Berendsen

Berendsen secures a commendation with highly communicative and attractively presented reporting that gives the reader a clear sense of the importance of governance to the group. The chairman's address covers the sections of the Governance Code briefly but effectively, and – unusually for a FTSE 250 governance report – links governance explicitly to the group's strategic goals. The judges also highlighted the way in which Berendsen takes pains to set out what the board has done in the past year, rather than simply listing its responsibilities.

Cairn Energy

Cairn has produced highly competent corporate governance reporting that the judges felt excelled in a number of respects. They commented particularly on the strength of the nomination committee report – which they noted gives "clear insight into NED appointments and succession planning" – and on the board evaluation disclosures, which report back on the prior year recommendations as well as progress in the current year. The audit committee reporting on significant issues is clearly structured, and provides real insight into the matters discussed by the committee during the year.

TelecityGroup

Extended personal reporting by the Chairman sets the right tone at the start of Telecity's governance report, which then goes on to focus clearly on the board's actions as well as its responsibilities. The judges praised in particular the company's strong use of graphics to communicate important information, and the high-quality insights provided into the board and committee evaluation processes and outcomes. The new reporting requirements are well handled, with clear commentary on how the audit committee approached advising the board on the 'fair, balanced and understandable' statement.

Executive remuneration reporting in the FTSE 100 and FTSE 250

Introduction by Tom Gosling, human resource services, PwC

It's been a year of change and transition in listed companies' reporting on directors' remuneration, following the introduction of BIS's new requirements from 30 September 2013. Unfortunately, our assessment suggests that the overall initial impact on reporting quality and clarity has been adverse, as companies focus on compliance rather than communication.

As a result, the general improvement seen this year in corporate reporting as a whole – especially among FTSE 100 companies, and in areas such as audit committee reporting – has not been reflected in directors' remuneration reporting. If anything, reporting on this important and high-profile area has gone backwards in some senses this year, with the volume of reporting rising but clarity of communication suffering a decline.

One reason for this unintended outcome from the new regulations appears to be the impact of the new binding vote on remuneration policy: many companies underestimated the time involved in drafting a directors' remuneration policy that would be sufficiently flexible to meet the company's needs over a three year period but also provide shareholders with a clear picture of what the policy could deliver. This left little time to do more than simply put together a remuneration report that was compliant with the regulations with little narrative around the disclosures. Also, while changes such as the introduction of the 'single figure' were intended to create a clearer overall picture of remuneration, one effect of the new regulations has been to make companies disperse information more widely throughout the remuneration report, sometimes making it harder to find.

Despite this challenging background, some companies in both the FTSE 100 and FTSE 250 are continuing to produce clear, accessible and concise reporting on directors' remuneration, as the nominees on the shortlist for this year's award demonstrate. The best reporting – while compliant with the new rules – clearly demonstrates the linkage and alignment of remuneration with corporate strategy and performance, evidencing the use of relevant and stretching financial and non-financial metrics. It also explains clearly how, where and why the remuneration committee has applied discretion and specifies the aspects of performance for which directors are individually accountable.

Clearly, it's hardly been a vintage year for reporting of directors' remuneration. But, once the new rules bed in, the quality of the nominated reports serves to reinforce hope that the standard of reporting will recover in 2015 – and resume the steady improvement noted in previous years.

Executive remuneration reporting in the FTSE 100

Judges' criteria

The judges were looking for disclosures of directors' remuneration that met three specific criteria:

- Clear and concise presentation of the new disclosure requirements, making the newly-required information quick and easy to find.
- Evidence of alignment of performance objectives with corporate strategy, with this alignment clearly explained.
- Clear disclosure of the linkage between reward and business performance, supported by robust evidence based on actual outcomes.

On top of these overall criteria, the judges were also looking for a clear overview of the year from the remuneration committee chairman; an 'at-a-glance' summary of the report; evidence that the remuneration committee is mindful of pay and conditions elsewhere in the group; and detailed disclosure of directors' exposure to share price movements. Further considerations included the accessibility of key information, the clarity of the layout and the use of explanatory graphics.

Judges' comments

While the judges felt that all the nominated reports were of a high standard compared with their peers in both the FTSE 100 and FTSE 250, they also voiced the view that executive remuneration reporting had proved to be the most disappointing category in this year's Building Public Trust awards assessment. Some suggested that the binding nature of the new vote on remuneration policy had made many remuneration committees focus too much attention on the policy statement, distracting them from telling a clear story about their activities and decisions during the year. Others thought that this year's dip in overall quality was not entirely down to the effects of the new regulations. "It seems to me that companies are simply struggling to explain why they are paying people as much as they are," commented one panel member. That said, the judges praised the conciseness and accessibility of this year's nominated executive remuneration reports and felt they all excelled in different ways – providing many useful points of good practice for other companies to apply as they continue to adapt to the new regime.

Executive remuneration reporting in the FTSE 100

Winner

Hammerson

Hammerson emerges as the clear winner, with well-presented and easily navigable reporting marked out by a frank and open discussion of the remuneration committee's decisions during the year. The report hits the ground running with a clear and concise letter from the remuneration committee chairman, which is both highly readable and also covers all the points required by the regulations. The judges were also impressed by the detailed disclosure of the individual terms in executive directors' service contracts, and the comprehensive explanation of the annual bonus out-turns, with good use of a graphic showing the weightings of different KPIs. One judge commented: "The reporting makes it crystal clear that the directors are personally responsible for delivering against their bonus arrangements".

Highly commended

(in alphabetical order)

Intercontinental Hotels Group

IHG – last year's winner of this award – returns to take a runner's-up spot with a report that clearly links executive performance conditions to corporate objectives and strategy. The use of graphics is outstanding, and includes an easily understandable bar chart depicting the year-on-year change in individual executives' single total remuneration figures. The judges also praised IHG's clear explanation of the reasons for its choice of LTIP performance conditions – an area where they felt the company went into greater detail and provided more meaningful insights than most of its FTSE 100 peers.

Old Mutual

Describing Old Mutual's reporting as "comprehensive but still clear and easily navigable," the judges were especially impressed by the company's response to investors' desire for a clear up-front summary of executive remuneration. The company opens its executive remuneration report with a comprehensive 'at a glance' section on a single page, providing an integrated high-level overview of its strategic priorities, remuneration structure, achievement of performance targets and directors' single total figure for the year. The directors' remuneration policy table is clearly laid out and includes details of areas in which the remuneration committee could exercise discretion; the achievement of long-term incentive performance conditions and the resultant level of vesting is also clearly disclosed and reconciled back to the amount included in the total single figure.

Executive remuneration reporting in the FTSE 250

Winner

Berendsen

Berendsen wins the award with a directors remuneration report that is comprehensive and detailed, yet remains accessible and easily navigable through clear structuring and strong use of language and graphics. The letter from the remuneration committee chairman is clear and concise, highlighting up front the key changes during the year. The remuneration policy table is equally well presented, supplemented with a table linking performance conditions to strategic objectives. Berendsen also discloses corporate and individual bonus targets in greater detail than most of its peers, including reconciliation to single total figure. One judge commented: “This is bold reporting. The remuneration committee is standing up and saying: ‘We believe we have an effective remuneration strategy that’s really driving business performance”.

Highly commended

(in alphabetical order)

bwin.party

bwin.party’s remuneration report opens with an ‘at a glance’ section, providing a summary of how the company’s remuneration structure has changed year on year. It also includes detailed disclosures on the policy on payments for loss of office; on the areas where the remuneration committee can use discretion; and on the prospective annual bonus targets for 2014. However, the judges felt that the reporting as a whole might have been more concise and that navigating through some of the detail could be made easier in the future through clearer signposting.

Hikma Pharmaceuticals

Winner of this award last year, Hikma Pharmaceuticals is highly commended this time for a concise, attractively presented and well-structured report with especially strong disclosures around bonuses. The judges were impressed with the up-front ‘at a glance’ section, which they felt was both clear and comprehensive, and by the detailed description of employment conditions throughout the group. The report also provides detailed disclosures on the outcomes from performance conditions during the year, along with estimated vesting for outstanding long-term incentive awards. “Overall, very accessible and readable reporting,” commented one judge.

People reporting in the FTSE 100

Introduction by Fiona Camenzuli, human resource services, PwC

Reporting on people remains an area where the disclosure regulations allow listed companies a fair amount of discretion and latitude in what they choose to report and how. This relatively free rein means that people reporting is sometime perceived as less central to the communication of a business's performance and prospects than more heavily-regulated areas such as tax or executive remuneration, which are also more closely scrutinised by investment analysts.

However, there are strong arguments for regarding people reporting as being every bit as important as these other aspects. For one thing, the widely-quoted cliché about people being a company's 'most important asset' is – in most cases – demonstrably true. For another, the wide scope allowed in people reporting makes it an area where a company's culture, values, leadership tone and even 'personality' can come out especially clearly.

Equally positively, our assessment process for this year's award confirms that the best and most effective people reporting has resumed its journey of improvement. Twelve months ago, we reported an apparent pause for breath, with little sign of significant progress and innovation in people reporting. However, this year we've found a genuine and widespread rise in quality across the FTSE 100, with best practice both in communicating people information and also integrating it into corporate strategy coming strongly to the fore.

In particular, we've found a marked improvement in companies' reporting on the impacts of their people on business performance. The usage and presentation of people data have made especially good progress, with many companies exhibiting strong and innovative use of graphics and tables to make year-on-year performance against people KPIs more accessible, and to explain how this has enhanced value creation during the year.

A further sign of the progress being made is that none of this year's three nominated companies for this award were on last year's shortlist. This underlines the major strides made by the nominees, and the extent to which excellent people reporting is broadening out across the FTSE 100. I encourage all companies to study the reporting being showcased today – and see how they might learn from them to tell their own people story in a clearer, more engaging and more integrated way.

People reporting in the FTSE 100

Judges' criteria

As in previous years, the judges were looking for transparent, accessible and joined-up reporting on people management and strategy across four key aspects: the market overview, including the impact on the workforce and people strategy of the external environment, including the employment market and social and economic trends; human capital strategy, including the priorities for people management and linkage with the overall business strategy; people processes, such as recruitment and development, and the key processes and priorities that drive the human capital strategy; and the impact of human capital on corporate performance, including publication of relevant and robust human capital data. Across all these areas, the judges were seeking an understanding of why companies are disclosing this information externally, and of how human capital management drives business results.

Judges' comments

The judges felt that the three shortlisted companies had all produced very good people reporting that was both rich in information and engaging in tone. Some members of the panel commented that people reporting becomes harder as a company's workforce and geographical spread grow, meaning it can be difficult to make a fair and direct comparison between very different organisations. However, the consensus was that the overall standard of people reporting has made big strides during the year, with a particularly marked improvement in companies' reporting on the impact on the business, including the use and presentation of people data and KPIs to provide year-on-year comparisons. The judges felt that all three nominees – none of whom were shortlisted last year – should be congratulated for their commitment to telling a clear, accessible story about an aspect of their business that is critical to success, yet where the reporting is less heavily regulated than in many other areas.

People reporting in the FTSE 100

Winner

Johnson Matthey

Johnson Matthey wins the award with a readable and visually attractive report supported by strong use of graphics. The reporting tells a clear story about how and why people are central to the company's business model, values and '3rd Century' business strategy. The judges were especially impressed by Johnson Matthey's open and transparent disclosure of its performance against people metrics, notably in training and development, including training spend per employee. The company is also engagingly honest on the need for improvements in how it engages with its people. One judge summed up: "Overall, Johnson Matthey's reporting just feels authentic".

Highly commended

(in alphabetical order)

AstraZeneca

AstraZeneca begins by stating unequivocally that creating a great place to work for its people is one of its three strategic priorities, and then linking its people reporting clearly and concisely to the overall strategy. The disclosures on diversity are especially transparent – spelling out progress, targets and awards – and the judges were impressed by the reporting on an innovative online event called the 'culture jam'. "The culture jam added to the credibility that when they say people matter, they really mean it," commented one judge. There is also good use of KPIs to measure annual trends on accountability, decision making and employee engagement, making the information easy to understand and digest.

Aviva

Aviva wins a commendation, with a vibrant and eye-catching report that is differentiated by the company's strongly-stated commitment to the living wage, and the detailed reporting on its workplace diversity and apprenticeship programmes. Aviva's 'people thesis' – one of its four strategic themes – is easy to understand and clearly linked to its business goals. Positive and negative findings from the staff survey are given equal prominence, a degree of honesty that one panel member described as "refreshing". The company also discloses a broad range of people KPIs and details how it performs against an external comparator norm, admitting openly where it misses targets.

Sustainability reporting in the FTSE 100, FTSE 250 and public sector

Introduction by Alan McGill, sustainability and climate change, PwC

This is the 6th year we have completed in-depth reviews of sustainability reporting by FTSE 100, FTSE 250 and public sector organisations for the Building Public Trust Awards (BPTA). This process has served to underline that open, accessible and integrated reporting on sustainability performance is continuing to rise up the communications agenda for the UK's more forward-thinking private and public sector entities.

I'm delighted to report that the profile of sustainability reporting has continued to increase; the new UK mandatory reporting requirements being a key influencing factor. The leaders in reporting are also articulating broader understanding of their impacts, and demonstrating how they are seeking 'good growth' that blends societal and environmental value with solid returns for investors in the case of FTSE companies, or good value for public money in the case of public sector entities.

The use of technology – specifically various social media platforms – has increased and is enabling companies to provide more context and information on their performance, as well as interact in real-time with their stakeholders.

Against this background, our assessment process this year highlights three particularly positive developments in the best sustainability reporting. The first – reflected in our criteria for this year's awards – is an increasing focus on sustainability impacts along the value chain, looking both upstream and downstream and a consideration of the future viability of the company in terms of availability of natural capitals for example.

The second is the rising use of independent assurance to lend greater credibility to sustainability KPIs and performance reporting. And the third is a greater emphasis on outcomes rather than input metrics.

In both the private and public sectors, the organisations exhibiting these qualities in their sustainability reporting are setting a lead for others to follow. Interestingly, this year we found that some new players came to the fore in all categories, while a number of the previous pace-setters have been affected by other companies catching them up and the leading pack now being much larger. This underlines the need for all organisations to keep innovating and breaking new ground in their sustainability reporting, and its link to core business.

Sustainability reporting in the FTSE 100 and FTSE 250

Judges' criteria

As in previous years, the judging panel was looking for a clear explanation of an organisation's sustainability strategy and governance structures, together with clear factoring and embedding of these disclosures into its core business strategy and priorities. They were also seeking a discussion of the company's material sustainability issues, risks and opportunities, the governance of these and how these are linked to stakeholder engagement activities and overall strategy. A further criterion was evidence of an understanding of the positive and negative impacts of sustainability issues, both in relation to the organisations direct impacts and – in an extension of the criteria this year – across its value chain, both upstream and downstream. The judges were also looking for consideration of the future viability of the company in terms of availability of natural capitals for example. Last but not least, the judges were seeking clear identification and explanation of relevant key performance indicators, targets and objectives, supported by appropriate and credible performance monitoring and reporting, accompanied by external independent assurance over data being reported.

Judges' comments

The judges felt that all the shortlisted organisations in both the FTSE 100 and FTSE 250 had produced outstanding sustainability reporting, albeit exhibiting different strengths in each case. They also noted that some new contenders had made the shortlists, overtaking previous high performers– a trend seen as illustrating the extent to which all sustainability reporting is on a evolutionary journey. In terms of the strong points in this year's nominated reports, the judges pointed to their clear articulation of sustainability strategy with explicit linkage to the business strategy, and their open and honest assessment of their performance against sustainability KPIs, including areas for improvement. The judging panel also noted the progress being made both in reporting on impacts along the value chain and in providing independent assurance, but felt there was still further to go in both of these aspects. Overall, the judges welcomed the shortlisted organisations' clear commitment to honest, accessible and comprehensive sustainability reporting – and they urged others to learn from the example, and to keep striving to improve on it.

Sustainability reporting in the FTSE 100

Winner

Kingfisher

Kingfisher wins the award with visually attractive and highly readable reporting that describes its sustainability strategy – 'Net Positive' – in great detail, and integrates it closely with both the core business strategy and the action plan for delivering on it. Data on performance against KPIs and targets is well presented and is frequently assured. "The company is very clear on what its targets are and why they're important," commented one judge. The panel were especially impressed by the reporting on promoting sustainability both upstream through timber procurement, and downstream by enabling energy efficiency among customers.

Highly commended

(in alphabetical order)

The British Land Company

The only member of the FTSE 100 shortlist to have been nominated last year, British Land is commended once again for well-presented and very detailed sustainability reporting marked out by its strong use of graphics. The judges noted the company's innovative reporting of its materiality and stakeholder engagement processes which is supplemented with a standalone report. "The feedback from stakeholders is especially clear and open," commented one judge. The judges were also impressed by the detailed disclosures on socio-economic and environmental impact throughout the value chain, as well as on progress towards targets and resulting management actions.

Royal Mail

The judges felt that Royal Mail – as a newly-privatised business – has made truly remarkable progress with its sustainability reporting in a very short time. The report clearly outlines Royal Mail's sustainability strategy and its integration with the core business strategy. The disclosures on stakeholder engagement are especially detailed and impactful, with data broken down both by stakeholder group and also in several other ways, ranging from engagement method to progress against action plans. One judge said: "Having only recently been privatised, I feel Royal Mail is inevitably at an earlier stage in its sustainability reporting journey than the other nominees – but it's clearly heading the right way".

Sustainability reporting in the FTSE 250

Winner

Carillion

Carillion wins this award for the second year running with a well laid-out report that opens with a clear description of the sustainability strategy, and a highly informative diagram showing how it fits into the core business strategy. The visual and thematic linkage is strengthened by the alignment between Carillion's six material sustainability issues and the six pillars of its business strategy, all supported by clear KPIs, targets and performance reporting – including on areas of poor performance. "This is well-designed, easily navigable sustainability report, backed up by a good website giving easy access to more detailed information," commented a judge. The panel were especially impressed by Carillion's open discussion of the impacts of its operations both upstream and downstream in the value chain, particularly with regard to water.

Highly commended

(in alphabetical order)

The Berkeley Group Holdings

Considered by the judges to be the most integrated of the three shortlisted reports, the Berkeley Group wins a commendation for credible and highly readable reporting that links sustainability clearly to its core business strategy, activities and day-to-day operations. Looking beyond its core activities, the company assesses its impacts in its supply chain, and examines its downstream impacts through post-occupancy evaluations. "When you read this report, you really believe that the management takes sustainability seriously," said one judge. The report – which is integrated into the annual report – also discloses how sustainability fits into the company's overall governance.

Taylor Wimpey

Shortlisted for the first time for this award, Taylor Wimpey uses an innovative and highly visual format to explain how sustainability is integrated into all its operations and business decisions, all the way from selecting land to homebuilding. The reporting is especially strong on the supply chain implications of the company's activities, and particularly its approach to 'green procurement'. One judge commented: "It's all explained very clearly: the reporting says, 'These are our targets, and this is what we're doing to achieve them'." KPIs are described in especially strong detail, with disclosures on the company's historic performance back to 2011.

Sustainability reporting in the public sector (awarded jointly by PwC and the National Audit Office)

Judges' criteria

The assessment process began with a review of the reporting from around 100 public sector organisations, of which around 70 were found to have significant content on sustainability. These were reviewed against four criteria – strategy; balanced reporting; KPIs and targets; and presentation and accessibility, to produce a short-list of 32. The short-list was scored against our detailed reporting framework and the top 10 scoring organisations' were cross-marked by both PwC and the National Audit Office, with a moderation meeting being held to choose the top three. Where the reports were of a similar standard, the extent of improvement from previous years was taken into account. The criteria applied to create the shortlist mirror those used in the judging of the FTSE 100 and FTSE 250 awards, and include how well sustainability is linked to core strategy; the clarity and relevance of KPIs and targets; the degree to which the reporting is balanced rather than being weighted towards 'good news'; and the transparency of reporting, in terms of public accessibility, timeliness and style.

Judges' comments

The judges felt that the best public sector reporting – of which the three nominated reports represented good but widely differing examples – showed a continued but gradual improvement from last year. Some repeat nominees from previous years did not make the shortlist this time, as their reporting – while still of a high standard – was felt not to have improved in the past year. Looking at the shortlisted reports, the presentation of the reporting was seen as a common strength, with good use of tables and graphs making the information easy to absorb and navigate. However, with public sector organisations in general still largely focused on doing more with less money, the judges noted that their main challenges in sustainability reporting included materiality, with many reports still failing to explain clearly which sustainability issues were important to the organisation and why. The panel members also felt there was also room for improvements in benchmarking, data quality, and reporting on stakeholder engagement. That said, the judges were impressed with the overall quality of the three nominated reports, and hoped the example they have set will encourage further progress among all public sector organisations.

Sustainability reporting in the public sector (awarded jointly by PwC and the National Audit Office)

Winner

The Crown Estate

The Crown Estate wins the award for the fourth time in six years, with superbly integrated sustainability reporting that clearly describes the organisation's 'total contribution' strategy, looking across its social, economic and environmental impacts. The context is set out up front, with good detail around the process for identifying material issues, and the reporting is well presented with strong use of visuals. "This reporting is a class apart, and I hope it encourages others to improve," summed up one judge. Another added: "The clarity on the factors affecting performance is outstanding." The judges noted that The Crown Estate has even managed to improve slightly on the previous year's excellent report, by providing greater detail on stakeholder engagement and materiality.

Highly commended

(in alphabetical order)

Department for International Development

Nominated for the first time, DFID is commended for an attractively presented and highly readable report, showing clearly how sustainability is embedded into the organisation's strategy and operations. The governance section is especially strong, identifying the people responsible for each sustainability action, and the reporting on internal and external stakeholder engagement is open and compelling. One judge commented: "Given the complexity of its organisation and the resources available to it, this is truly exceptional sustainability reporting." The judges were especially impressed by DFID's explanation of key risks and opportunities, and its discussions on performance to date and future plans.

NHS Business Services Authority

Having sustained the strong improvement noted by the judges last year, the NHS Business Services Authority is commended once again for an easy-to-read annual report that is enlivened by case studies throughout. Having embedded its sustainability strategy within the annual report, NHS Business Services Authority provides a clear explanation of how it plans to fulfil its sustainability strategy, and of the CSR governance structure in place to support these actions. In particular, the judges noted the level the detail provided on stakeholder engagement, and the clear linkage of this information to the identification of key sustainability issues.

Tax reporting in the FTSE 100, FTSE 250 and FTSE 350 extractives

Introduction by Andrew Packman, tax transparency and total tax contribution leader, PwC

The past year has seen significant developments in the tax transparency debate. The intense scrutiny applied to companies' tax affairs continues and the OECD and EU are developing proposals requiring companies to disclose their tax payments, publicly or privately to tax authorities, on a country-by-country basis. With tax payments – especially by multinational corporations – remaining high on the agenda of the media, public, and politicians, an increasing number of companies are taking the view that failing to explain their tax footprint can impact their reputation and brand.

Governments pursue two objectives in parallel – to attract business through a competitive tax regime and to raise income. The concerns over the international tax system not being fit for purpose for today's world impact public perception and trust. Companies need to consider how they respond to this world of mixed messages, even though this may mean trying to communicate a complex tax position.

All of this means there is a significant trust deficit that companies need to address. This year, PwC has been supporting the search for a way forward through our 'Paying for Tomorrow' campaign, featuring juries of citizens and businesses. Clear, transparent and accessible tax reporting also has a key role to play in rebuilding trust.

That's why our assessment of companies' tax reporting for this award comes down to one key question: has the quality of tax reporting improved? The answer is a qualified yes. The leaders in tax reporting are continuing to increase the clarity and scope of their tax disclosures. But the continuing intense interest in corporate taxation means many others are taking a more cautious approach, and making the minimum permitted disclosures.

This is the ninth year we have presented these awards and the organisations nominated today have shown leadership, innovation and courage in their disclosures. The tax transparency debate will doubtless continue, but the voluntary reporting we see today will help shape the debate and the way forward. I congratulate all the nominated companies for their efforts on how best to explain their taxes.

Tax reporting in the FTSE 100, FTSE 250 and FTSE 350 extractives

Judges' criteria

As in previous years, the criteria for assessing this year's awards for 'Excellence in Tax Reporting' were based on PwC's Tax Transparency Framework, under which the judges were looking for excellence in three key areas. First, a clear and accessible discussion of tax objectives, strategy and risk management, including disclosure of policies in key areas of the business, responsibilities for governance and oversight, and material risks; second, transparent tax numbers and performance, including a clear reconciliation of the tax charge to the statutory rate, and forward-looking measures for tax; and third, a discussion of their Total Tax Contribution and the wider impacts of tax, showing how tax influences the business's strategy, results and shareholder value. This could include a discussion of the company's approach to advocacy and lobbying activities on tax, together with communication of the economic contribution of all taxes paid by the company.

Judges' comments

The judges felt that each of the shortlisted companies had produced truly outstanding tax reporting, helping to raise the bar for tax reporting generally and show others what can be achieved. The panel also noted that the nominated reports underlined the leading position that extractive companies have assumed in the transparency and clarity of tax reporting, in response to a combination of commercial, political and regulatory pressures. Looking across all the nominees, the judges felt a key defining characteristic of the best reporting was a clear sense of board-level ownership of the tax agenda, and a strong emphasis on the vital importance of well-established tax principles. They also wanted to see clear linkage between tax disclosures and the audit committee report, and a readiness to be constructive about changes in tax regulations. The consensus was that the nominees had shown a positive shared commitment to going beyond the tax disclosure rules to provide a detailed understanding of their wider economic contribution.

Tax reporting in the FTSE 100

Winner

SABMiller

In an extremely close vote reflecting the high quality of all three nominees, SABMiller emerged as the winner with a superbly presented and engaging report. As well as setting out the key tax principles and linking these clearly to policies and actions, the company uses a highly accessible flow chart to explain the taxes contributed throughout the brewing value chain, and gives details of specific tax issues in the context of its own business. The judges were especially impressed by the clear explanation of the difference between the cash payments for income taxes and the accounting tax charge. One member of the panel commented: "SABMiller's commitment to transparency about tax permeates its reporting in a very convincing way".

Highly commended

(in alphabetical order)

Legal & General Group

Highly commended last year, L&G claims a runner-up spot once again with tax reporting that strongly underlines the importance of tax to the business. "It comes across very strongly that tax is a key issue for L&G at board level" said one judge. The reporting includes a discussion of L&G's engagement around tax transparency with stakeholders including NGOs, government and other investors, and provides both a bar chart and data table to explain how the tax charge reconciles to the cash tax paid. Some of the judges were particularly interested that the company has developed a mobile app – available for anyone to download – to provide financial advisors and clients with tax information.

Unilever

Unilever's tax reporting builds on a concise and comprehensive set of global tax principles, published on the company's website, to provide a clear overall picture of the company's tax policies and contributions. "I like the way Unilever bases its reporting on global tax principles" commented one judge. The reporting makes strong use of tables and graphs, including a pie chart to highlight the corporate income taxes paid both by region and individual territory. Another pie chart shows clearly the taxes paid to governments as a proportion of total economic value added. Overall, the judges felt this was powerful and open tax reporting that clearly benefited from deep thinking on how to make the information interesting and accessible.

Tax reporting in the FTSE 250

Winner

The Rank Group

The Rank Group maintains its strong track record in this award by winning it for the third time, with tax reporting that continues to excel both in terms of its level of detail and breadth of areas covered. The reporting clearly articulates the company's tax strategy, particularly its relationships with tax authorities and approach to political engagement. The judges were particularly impressed by the tabular tax analysis in the financial statements, together with a forecast for both the cash tax and effective tax rates. One judge commented: "Rank explains clearly and simply why tax matters, its tax risks, and its tax contribution – and they're all tied together. This is tax shown in the round and in different lights, not just reporting the facts".

Highly commended

(in alphabetical order)

Provident Financial

Highly commended last year and winner of this award in 2012, Provident Financial continues its strong run with a tax reporting that "goes the extra mile", as one judge put it. The progress made in 2013 on the company's tax risk mitigation strategies is clearly explained, and the alignment of the tax strategy with the wider business is clear. The judges gave particular praise to the easily understandable explanation of the difference between the cash corporation tax paid and the accounting tax charge, and the clear linking of changes in the tax rate to shareholder value. One panellist summed up the consensus: "Put simply, this is good, clear reporting".

Tate & Lyle

Tate & Lyle features for the first time this year in the Building Public Trust Tax Reporting award showing real progress in this area. The judges commented on the helpful explanation of the impact of its geographical profits mix on its tax rate, and the effect of different statutory rates of corporation tax around the world. There is clear disclosure of the contribution made to the UK Exchequer in payroll taxes, VAT and business rates. The judges felt that the tax strategy was articulated well and it was evident who has responsibility for the tax strategy and management of tax risk. The strong and accessible analysis of the company's changing business model and its effect on the forecast effective tax was particularly impressive.

Tax reporting in the FTSE 350 extractives

Winner

Rio Tinto

Last year's winner Rio Tinto – which has been at the forefront of tax reporting for several years – takes the award once again, with a report that continues its championing of voluntary tax reporting, while also cautioning against the challenges of inconsistent mandatory reporting. "Rio Tinto's reporting cuts to the chase quickly with disclosures on taxes paid, and then goes on to provide a remarkably detailed level of analysis," commented one judge. Another added: "The company has made a real effort to make the reporting readable." A clear up-front statement of the overall approach to tax provides the starting-point from which the reader is led through all aspects of Rio Tinto's tax strategy, structure and contributions. Taxes borne and taxes collected are disclosed by country and region, with a highly accessible pie-chart summarising its total global tax contribution.

Highly commended

(in alphabetical order)

Anglo American

Anglo American is highly commended for the second year in succession for its comprehensive and easily navigable tax reporting, marked out by a superb explanation of the importance of tax in the extractive industries. The innovative use of a map to illustrate the company's tax contribution in countries around the world gave a clear picture of Anglo American's contribution. Stakeholders' demands for greater tax transparency are clearly explained alongside the company's own position, and profits and taxes generated over the lifetime of a mine are clearly set out. The judges were also impressed by the inclusion of tax factsheets for key territories, giving details such as five-year effective tax rates and total taxes paid.

KAZ Minerals

The judges felt that KAZ Minerals' tax reporting does an excellent job of explaining the evolving nature of the tax regime in its home territory of Kazakhstan, with a clear discussion of how this affects its tax strategy and contribution. The disclosures include a detailed calculation of the company's adjusted 'all-in' effective tax rate, and an explanation of why the company considers this a more representative rate for reporting purposes. There is also a succinct and well-presented summary of KAZ Minerals' total tax contribution split by type of tax and key territory, and the mandatory tax reconciliation note is supplemented with a voluntary narrative explaining the main adjustments. One judge pointed out: "Tax reporting is often too fragmented – and KAZ Minerals has put the tax strategy and structure in its annual report & accounts".

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

Groundwork

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

National Literacy Trust

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

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

Wellbeing of Women

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

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