

Four game-changers to tackle the issues


It is clear from our reviews of FTSE 350 reporting over the years – and particularly from our conversations with preparers and users of reports this time around – that there is a real appetite and need for change to improve the quality of reporting.

Of course there is also scepticism as to whether new efforts will be worthwhile and some companies have taken the decision to create a very ‘plain vanilla’ annual report that arguably prioritises compliance over communication. All of this is understandable, given the frustrations set out in the [challenges section](#) above.

But we believe that the answer lies in a positive approach: it’s time to draw a line in the sand and take a step back, to develop a new approach to putting together an annual report.

We have therefore put together four sets of suggested game-changers that could help to tackle much of what we have seen and heard, and would move reporting forward in a really significant way if done well. All of them are possible under today’s regulatory framework, and can be achieved in the context of the existing long-form PDF annual report. We’re confident too that they would be equally applicable under a future model, such as that put forward in the FRC’s ‘Future of corporate reporting’ publication and, indeed, they could be even more effective in that context.

Leading reporters already reflect some of the ideas that we’re proposing, and we have included a number of published examples in the pages that follow.



For the game-changers to be effective, they need to be underpinned by support from investors, proxy advisers and regulators for companies that do something different; and, of course, a sincere and open approach from management teams and boards.

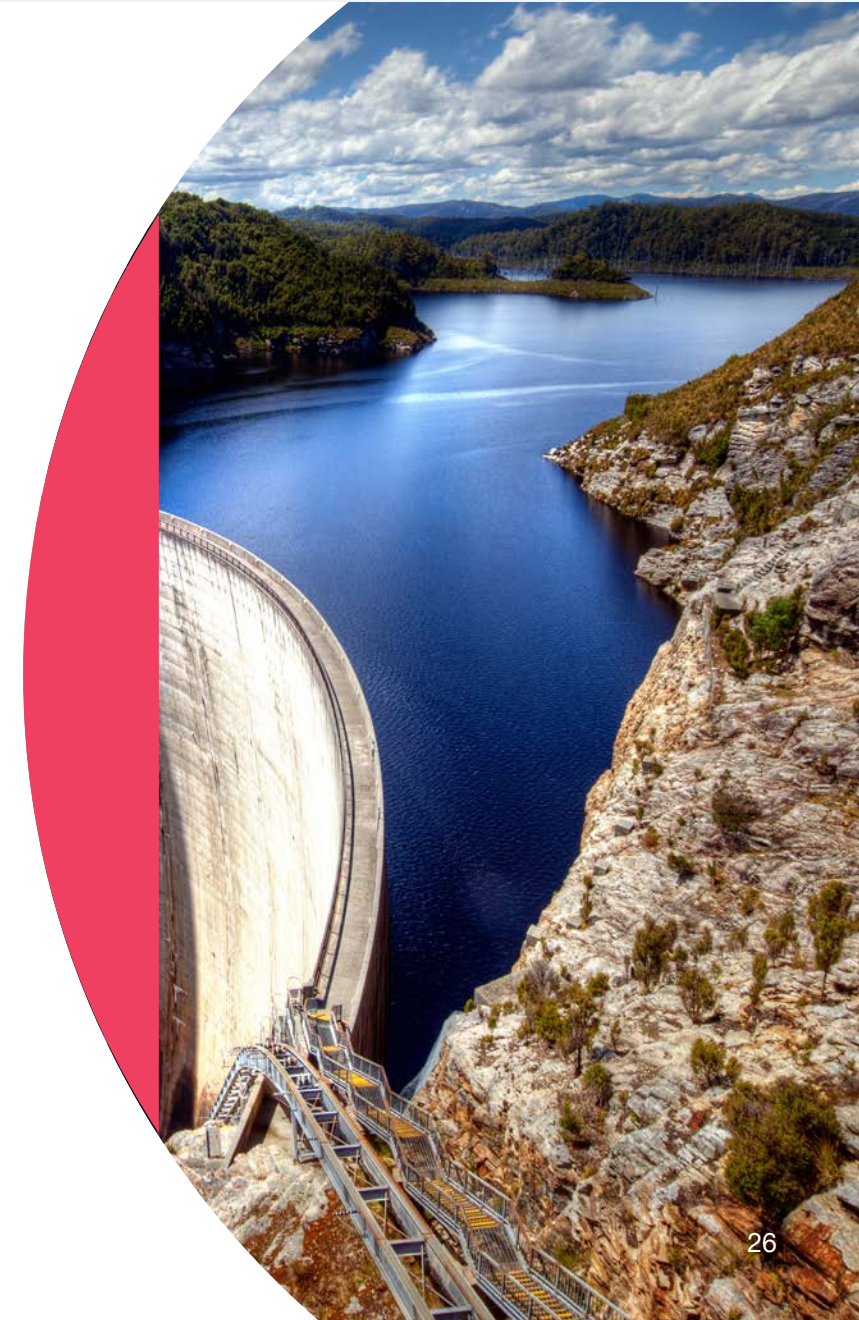
1. Report smarter, not harder

What's involved?

- Start with a genuine clean sheet and only then decide on a particular number of pages
- Identify the key strategic messages for the business and build the strategic report around them
- Challenge why anything else is added to the report (outside of information required by regulation), or used again elsewhere
- Question whether content that purely describes process, procedure or responsibilities is justified
- Use required disclosures (like the business model and principal risks) as an opportunity to report in a company-specific way that provides up-to-date information about the business

What are the main benefits?

- Helps to focus on what is strategically important (and to guide thinking on materiality) and therefore is more relevant and useful as an output for stakeholders
- Cuts the length of the report
- Avoids duplication and repetition
- Creates a clearer set of messages that are not buried in boilerplate disclosures



Reporting example

Report smarter, not harder: Britvic plc, Annual Report 2021, p 19

Overview of the company's strengths which acts as a topline of the business's key messages.



A portfolio of market leading brands

In Great Britain and Ireland, we have a full portfolio of family favourites, both owned and as the bottler for PepsiCo. In France and Brazil, the portfolios are all owned brands in a smaller number of categories. In each market we are the leading supplier of flavour concentrates, underpinning our strategic pillar of flavouring billions of water occasions.



A well-invested infrastructure

The completion of our business capability programme in 2019 in Great Britain means we have a fantastic supply chain platform to enable us to lead market growth. In our other markets we continue to invest in the supply chain to support growth, efficiency and our sustainability targets. Beyond supply chain we are investing in both our digital capability and IT infrastructure to ensure that the business is future fit to realise our growth ambitions.



A long-term agreement with PepsiCo

In October 2020, we signed a new and exclusive 20 year franchise bottling agreement for the production, distribution, marketing and sales of its soft drink brands in Great Britain. Our PepsiCo relationship provides access to a portfolio of global brands, including Pepsi MAX, 7UP, Lipton Ice Tea and, more recently, Rockstar Energy. This follows a similar 10 year agreement signed in 2016 with PepsiCo in Ireland.



A sustainable business

Britvic's Healthier People, Healthier Planet sustainability ethos underpins every element of our business strategy to ensure that we deliver sustainable value for all our stakeholders, and we create a better tomorrow. This year, we developed five interactive training modules for Britvic colleagues to learn more about our Healthier People, Healthier Planet strategy.



A well-financed and cash generative business

Britvic has a strong financing platform, with a £400m sustainability-linked multi-bank revolving credit facility and a series of private placement notes in place. The business is cash generative and has a clear capital allocation policy, including a commitment to a dividend policy that pays out 50% of profits.



A track record of growth

Since the appointment of Simon Litherland in 2013, we have consistently delivered excellent returns for shareholders. While the COVID-19 pandemic interrupted progress in 2020, we have continued to generate total shareholder returns significantly ahead of the FTSE 250.



A resilient and growing category

Soft drinks are a consumer staple, meaning category performance is consistent, stable and projected to grow. Growth is achievable through increasing consumption by innovating to meet emerging consumer needs, accessing new spaces and premiumisation.



An engaged and agile workforce set up for success

We're building a working environment where everyone belongs. This year we launched Working Well – our new dynamic ways of working. We have repurposed our work spaces to increase interactions, collaboration and opportunities for innovation with performance based on output rather than hours spent.

2. Create a feedback loop

What's involved?

- Make a standing plan for strategically important content that should be followed up across years
- Report on this content in a way that sets expectations, without unintentionally giving a profit forecast or threatening commercial sensitivities
- Establish the most appropriate timeframe (short, medium or long term) over which to look ahead
- Report back on targets and plans in subsequent years in an open and transparent way
- Communicate strategically important changes in the business as they happen or as they are foreseen

What are the main benefits?

- Creates an automatic forward-looking slant to reporting, over appropriate periods of time
- Helps investors and other stakeholders to build an understanding of the business, and confidence in management and the board
- Particularly useful in areas including:
 - principal and emerging risks
 - key assumptions and judgements
 - ongoing strategic plan developments



Reporting example

Feedback loop: Fresnillo plc, Annual Report 2021, p 32

For each strategic objective, the prior year goals are outlined, and progress and future targets are given.

1 EXPLORE		
2021 Goals	2021 Progress	2022 Targets
<ul style="list-style-type: none"> Invest a further US\$175-180 million during the year with approximately US\$15 million being capitalised, maintaining a continued focus on our Fresnillo and San Julián operations, as well as on the Rodeo, Orisyvo and Guanajuato advanced projects. Convert resources into reserves at all our operating mines. Continue standardising and improving our reserves and resources estimation process. Improve mine plans and geotechnical and financial models to upgrade probable reserves to the proven category. Continue the exploration programme at Juanicipio to further confirm reserves and resources. Complete the metallurgical testing at Orisyvo and land access at Tajitos and Rodeo. Advance the drilling programmes at our projects in Chile and Peru. 	<ul style="list-style-type: none"> US\$140.1 million was invested in risk capital in exploration. Silver resources up 1.2% to 2,319.7 moz primarily due to successful exploration at Fresnillo and San Julián (Veins), partly offset by depletion and a higher cut-off grade at Saucito and San Julián (DOB); gold resources remained stable at 39.0 moz. Drilling at Juanicipio successfully confirmed reserves and resources and two additional potentially mineable structures are being evaluated in the vicinity of the main Valdecañas vein. A geotechnical drilling programme at Orisyvo is progressing well, with the aim of developing an updated geotechnical model for mine design. 	<ul style="list-style-type: none"> Invest US\$180 million with a continued focus on the San Julián and Fresnillo districts and advanced exploration projects. Further develop resource modelling and reserve engineering activities initiated in 2020, with the aim of reporting proven reserves for all operating assets. Convert resources into reserves at all our operating mines. Continue the exploration programme at Juanicipio to investigate the deeper areas of the Valdecañas vein. Reach land access agreements at the Rodeo Project, increase the total resources and produce metallurgical and geotechnical data to advance the project to pre-feasibility level. Continue engineering, social and environmental studies and advance land acquisition at Orisyvo; refine the mining and ore processing methods progressing towards a feasibility study. Advance drilling programmes at our Chilean projects; continue to strengthen our community relations programmes and resume drilling at our Peruvian projects.

3. Clarity of audience

What's involved?

- Once the key audiences are determined, establish what is regarded as important to the different groups (both what they want and need to know), and show how this has been done
- Always make it clear why a piece of information is being given and, where applicable, its relevance to strategy
- Establish the most appropriate timeframe (short, medium or long term) over which to look ahead

What are the main benefits?

- Helps to distinguish information that is relevant to the core business strategy from other content
- Adds clarity around materiality and how it is arrived at for different pieces of reporting (which can also be a guide to length and complexity, particularly in relation to ESG information)
- Helps to manage stakeholder expectations and reputational risk
- Ensures the information needs of stakeholders are met effectively



Reporting example

Clarity of audience: Barratt Developments PLC, Annual Report 2021, p 50

For each stakeholder, a consistent format is used to explain: why the company engages; the KPIs used to measure effectiveness; interests and concerns; the outcomes from the engagement process; and the effect of engagement with sub-contractors on board decisions.



Sub-contractors and supply chain

Why we engage

Without our sub-contractors and supply chain we would not be able to build high quality products at the volume expected by the market. It is therefore important for us to build relationships with our sub-contractors and our supply chain in order to secure continuity of supply of materials, help support our productivity levels, avoid increased costs of sourcing alternative suppliers and avoid undue delays in construction. We must ensure that we have a good understanding of what they expect from the Company in return for their continued support.

How we engage

The following methods of engagement are utilised as they give us the opportunity to speak to our sub-contractors and supply chain as a group which ensures consistency in the messaging being provided and enables an opportunity for networking and sharing ideas and best practice. Individual meetings allow us to focus on specific areas or issues relevant to that stakeholder.

1. Supplier conferences

- We held two supplier conferences during the year. At each conference we shared our immediate and medium term plans and the role our suppliers can play in helping us to achieve our objectives whilst gaining a better understanding of the issues and challenges they were facing and how we could support them.

2. Ongoing supplier relations

- Engaged with sub-contractors and our supply chain to understand their capacity to continue to support our build programmes on recommencement and throughout each lockdown.
- Made further progress on the Supplier Sustainability matrix developed for our suppliers to drive performance against our strategic priorities.
- Engaged with 30 of our highest emitting suppliers and sub-contractors to better understand our Scope 3 emissions. Further information can be found on page 23.

- Our divisions held sub-contractor and supplier days to discuss local business plans and 'Thank you' events for our sub-contractors and suppliers for their continued support.
- Conducted trials to eliminate or reduce single use plastics and involvement collaborative projects with Zero Waste

Scotland to research packaging waste and its manufacturing and supply source.

- Continued to promote the Supply Chain Sustainability School to provide targeted learning and training resources.

KPIs – How is effectiveness measured

The following information is reported to the Board by the Chief Operating Officer and/or the Group Procurement Director to enable it to consider and agree what, if any, changes may be required to our methods and frequency of engagement with our sub-contractors and supply chain:

- Feedback received from a survey which is issued following the annual conference to help improve the conference in the following year.
- Availability of supply of materials and services to support our build delivery programme despite shortages and/or challenges in the industry.

Interests and concerns

Through the engagement activities undertaken, the following areas were identified as the key interests and concerns of our sub-contractors and supply chain:

- Safety and health of their employees working on our sites.
- Sustainability and carbon reduction.
- Prompt payment.
- Ability to meet demand for materials.

Outcomes from engagement

- Positive feedback regarding our leadership on sustainability issues ranging from carbon and waste, to ensuring we uphold our commitments to modern slavery and the real Living Wage.
- Long term relationships between sub-contractors, suppliers and the divisions which ensured that delivery and performance standards were mutually understood and enabled us to secure materials to support build requirements during a period of shortage of certain components.
- Ability to introduce strategies to retain trades which remains a constant challenge.
- Better understanding on the availability of carbon emission data, and the challenges associated with reporting this data.

Effect of engagement with sub-contractors and the supply chain on Board decisions

- To hold an additional conference with sub-contractors and the supply chain to further enhance relationships.
- To increase the frequency at which the availability of materials is reviewed and considered by the Board.
- Refined the GHG emissions factors we use for specific products and services to improve the accuracy of the baseline and yearly emissions performance.
- Considered the impact of future policy, such as carbon pricing, based on the information obtained through engagement.

4. Clarity of voice

What's involved?

- Avoid content that is 'anonymous', or only refers to 'the company' or 'we' – instead, be clear on who is 'speaking' (for example, the CEO or a committee chair, or the board)
- Involve those whose names will be attached to content in its development, or at least in its review
- Ensure those drafting were 'in the room' or have direct access to those who were
- Capture the language and tone used behind closed doors and use genuine management and board information where possible
- Ensure there is an identifiable author or central voice to prevent inconsistencies and overlap

What are the main benefits?

- Almost always makes context more authentic and increases its information value
- Allows those who are responsible to demonstrate their personal attention and accountability
- Says something meaningful about the culture of the organisation that is hard to capture by other means
- Builds trust and confidence in management and the board and brings wider reputational benefits



Reporting example

Clarity of voice: Hays plc, Annual Report 2021, p 13

As part of the CEO statement, insights into the areas that 'keep the CEO awake at night' are included in a way that feels genuinely personal.

Q11. What keeps you awake at night as a CEO?

A. Our markets have rebounded far stronger and faster than anyone could have envisaged a year ago. Given the positive momentum we now see across our business, most of my attention is focused on capitalising on the many opportunities in front of us.

Our success in achieving this will be underpinned by the quality of our people. I'm deeply passionate about their development, motivation, and our succession planning. Making sure we have the right internal talent for both today and for the future is a vital part of my job.

Supported by our financial strength, we started making strategic investments well before our end markets started to recover. This gave us an excellent head start for growth but there remains a lot to do. My ambition is that we emerge from the pandemic much stronger in every way, with significant profit runway ahead of us.

The pace of change in digitalisation has been breath-taking in the last few years, but it will only accelerate from here. This has big implications for all businesses, and as well as being at the forefront in helping clients find the digital talent they need to grow, we are continuously seeking to improve how clients and candidates engage with Hays and how we deliver back to them. Superior customer service is what should stand us apart from our rivals and we are actively designing how that experience can be improved across everything we do.

With increased digitalisation comes greater cyber threat. We take this threat extremely seriously and it occupies a central position at Board level. It is my job as CEO to be 'professionally paranoid' around the subject and do everything we can to protect our systems and our candidate, client and employee data. It is a continual battle, but our IT, Legal and Operations teams' level of engagement gives me great comfort as CEO. However, we can never be complacent.

We have all learned valuable lessons in the last year, me included. Those lessons are helping us transform our business in so many ways and we have raised our already-high ambitions for the Company to new heights. There's no reason why we cannot achieve them if we challenge ourselves hard, set aspirational targets and relentlessly focus on doing whatever we need to do to get there.

The ongoing cyclical recovery is a strong tailwind for us, but the long-term structural opportunities are where the real value lies, and we want to open up those opportunities sooner rather than later. But we must never forget that our business is about helping people. Last year we helped more than 280,000 people find their next job, and over 40,000 clients find the talent they need to grow. That's massive scale on a global stage, but next year those numbers will be even larger.

Never has our role in helping people develop their careers and finding highly skilled workers been as relevant. What we do is important to so many people's lives and I am honoured and privileged to lead a business that makes such a contribution to our societies and communities.