

# Drawing a line in the sand

PwC's annual review of reporting practices in the FTSE 350

September 2022



**pwc**



# Foreword

## **Welcome to this year's report on PwC's review of FTSE 350 annual reports.**

Companies are having to deal with uncertainty and change in a way that has not been experienced for many years, creating challenges for everything from the supply chain to the workforce and beyond. Expectations of business have also changed, with companies being pressed to step up and play their part in tackling environmental and social issues or face the consequences – sometimes almost instantaneously – from a whole range of stakeholder groups.

It's hardly surprising that the annual report, and indeed the corporate reporting 'ecosystem' generally, has not found it easy to keep up. A lot of additional content has been added in relation to environmental, social and governance ('ESG') matters, most recently with the new requirement for climate change reporting under the Task Force on Climate-Related Financial Disclosures ('TCFD') framework. Companies have responded positively, and the resulting disclosures have added useful new information but they have often felt detached and have certainly also contributed to the problem of the growing length of the annual report.

Despite the progress with respect to new ESG-related content, the uncomfortable truth is that our review this year found relatively little change in the quality of reporting, and minimal innovation across the FTSE 350 population – and this is a story that has been playing out over several years. It's not that there is no change – we found a number of reporters taking up some of the techniques that the leading reporters were already using. This has value, but it also has limitations: without real innovation challenging the status quo, progress will plateau. And for those companies that do not develop their reporting year-on-year – and there is a growing group – they will continue to fall a long way behind the best.

Our report starts with what we saw in this year's review – see [our detailed findings](#). But this year we have also gone further and talked with a number of those preparing and reviewing annual reports about their views on the document itself, and the work that goes into it, to try and understand the root causes of our findings. Those discussions identified real commitment to doing as good a job as possible, but also a lot of frustration at how difficult that is in practice, particularly around the constant addition of new, sometimes complex or overlapping requirements. We have summarised what we heard about the [underlying challenges](#) with the annual report that create the sort of reporting that we saw in our review.

Our overall message is intended to be a positive one. We heard real commitment to quality reporting, and this is absolutely consistent with our experience over many years of talking to companies. The value of the annual report is also still well recognised by investors and wider stakeholders alike. Both groups see it as a comprehensive and trustworthy view of a business. But it's clear that this value does not always come across to companies.

So the real challenge is to ensure that the annual report remains credible, but also that it becomes a communication tool that works much more effectively for all those who prepare it and use it. Our report therefore ends with a set of practical suggestions that we have referred to as game-changers, because we really believe they have the potential to make a radical difference to many reports. Importantly, we hope that companies would also be supported in taking these ideas on board by other key stakeholders, including investors, proxy advisers and regulators.

There was a real sense as we went about our review that this year marked something of a tipping point. With no end in sight to the potential new requirements, 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 hope our report will help to address these challenges and point a way forward for all those involved with the reporting framework.

**Mark O'Sullivan**

Head of Corporate Reporting  
PwC UK



# Quick read

## Reporting quality has plateaued as new information on climate change is added

Companies have often responded in some depth to the new climate change reporting requirements, though climate change reporting generally feels detached from the core financial strategy of the business and has added significantly to the length of the strategic report (which is up 12% year-on-year).

Although some aspects of good practice have been taken up by more companies, there has been far more limited change in other areas of reporting. For instance, over 40% of companies are not clear about the period covered by their reporting on strategy, and the connections between strategy and related disclosures such as risks (34%) and KPIs (47%) are often still not made.

**This year's findings**

## The challenges of the annual report have now reached a tipping point ...

In interviews that we carried out, there was real commitment among FTSE 350 companies to doing as good a job as possible, but also a lot of frustration at how difficult that is in practice.

The steady stream of new reporting requirements in recent years was cited as the major issue. The need to address these is likely to be behind the limited improvements seen in other areas of reporting.

**Drawing together the challenges**

## ... so that there is an urgent need for change

There is a real appetite – and need – for change. We believe it is time to draw a line in the sand to allow companies to take a step back and adopt a different approach to the annual report. They will need the support of shareholders, regulators and other stakeholders to help them to do this.

Our report ends with four sets of recommendations or ‘game-changers’ that we think have the potential to make a radical difference to many reports.

**Four game-changers to tackle the issues**



Companies need to stand back and think ‘what would my stakeholders want to know and does the annual report deliver this in a way that is accessible and usable?’. The annual report should provide a simple, easy to follow narrative that is digestible and which brings together all strands of the content in a coherent way. If done well, the annual report should tell a story and be relevant for all stakeholders.

Investor



In the current environment where trust, transparency and accountability are key to a company's success and credibility, corporate reporting has an increasingly important role to play. Quality reporting that stands up to scrutiny and tells a balanced story can ultimately set a company apart from its peers and build trust with stakeholders. But it's difficult, and only getting more challenging.

# This year's findings

**Our review process**

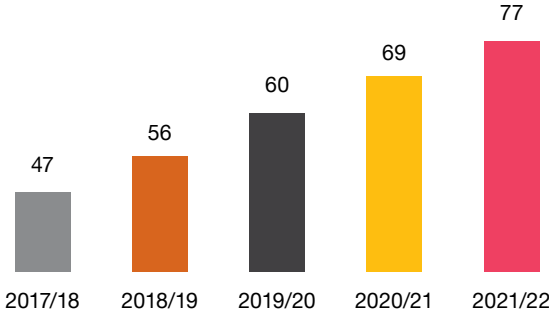
This is the 16th year in which we have reviewed the annual reports of all of the FTSE 350 companies, excluding investment trusts. Our process also supports the PwC Building Public Trust Awards (BPTA), which take place in the Autumn. This year, we reviewed 267 reports with years ended between 30 April 2021 and 31 March 2022.

We have set out below what we found. Overall, other than new ESG-related information and the resulting impact on the length of reports, the picture is of limited change year-on-year.

[See what companies think of current reporting](#), as well as our practical suggestions for a new way forward in our [four game-changers](#).

## Length of strategic reports

**The strategic report continues to grow in length (pages)**



- The strategic report continues to get longer, with a 12% increase year-on-year and a 64% jump from five years ago.
- This is largely a result of how companies have dealt with incremental regulatory requirements, particularly around ESG-related matters, over a period of years.



## Length of strategic reports

ESG matters continue to be added to the ever-growing strategic report...

**26%**

Is the average proportion of ESG content in the strategic report (up from 21% last year)

- Companies have added more and more ESG information into the strategic report, although this information often feels siloed and its strategic relevance unclear.
- If the information is materially relevant to a range of stakeholders – whether quantitatively or qualitatively – this makes sense. However, it should be made clear why the information is included – this is something that investors want to understand.

- Find out more about [our findings on ESG and climate change reporting on page 15](#), including how important it is to integrate it with other reporting where possible – and particularly with the reporting on a company's core business strategy.



### Quick win:

Sense-check whether existing ESG information is material and, if it is, ensure it is clearly explained why.

If it is not, consider whether an alternative channel would be more appropriate.

...a materiality assessment could help streamline this content

**15%**

Discussed a materiality assessment

- One way of evidencing why a topic is included in the annual report is through a materiality assessment, which is a technique applied and disclosed by only a small number of companies.



## Reporting on strategy

Information on strategy, and the related strategic actions and targets, is limited...

**42%**

Of disclosures around strategy did not refer to a specific time period.

**25%**

Of those who did provide timeframes used one year (and the other periods used were much less common)

- Companies continue to provide limited insights into their future strategic direction, despite how important this is to understanding the business and the strategic report.
- The majority provide no indication of time period, or limit this to one year. In contrast, viability statements usually indicate strategic planning cycles of three to five years.



### Quick win:

Sense-check here possible, include strategic timeframes and future actions and be mindful of how these compare with other disclosures that include timeframes.

...and companies seem to be more comfortable providing longer-term non-financial targets

**24%**

Provided quantitative targets for non-financial KPIs.

**78%**

Provided a target to reduce carbon emissions by a date more than five years into the future

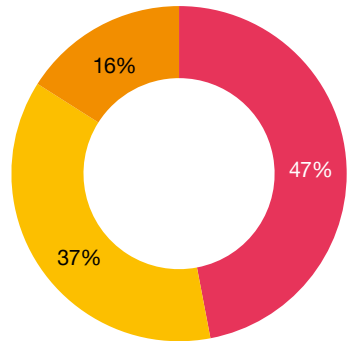
- For non-financial matters we found that plans and commitments can extend to decades, as seen in climate transition plans where carbon emission targets often go out to 2050.
- This raises questions as to why companies are happy to provide this information for some areas and not others, such as strategy.



## Reporting on strategy

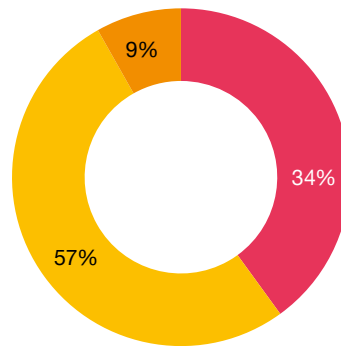
Links between strategy, key performance indicators (KPIs) and risk are still not common

Linkages between strategy and KPIs



- The link between strategy and KPIs remains a challenge – there has been almost no change in reporting in this area year-on-year – and almost half of companies did not make the connection clear.
- In these cases the reader is left to determine why the particular KPIs have been chosen.

Linkages between strategy and risk



- This trend is also evident for principal risks, where the reader is left to draw their own conclusions as to why these risks have been selected or how they link to strategy.
- Symbols are often used to make links. These can be helpful to the reader, but overuse makes them hard to follow and less impactful.

### Key

- No link
- Use a symbol
- Provide a qualitative analysis



### Quick win:

Explain clearly the link between strategy and the principal risks and KPIs to ensure the strategic relevance is evident.

## Risk and controls

**Risk reporting techniques provide colour – but the details of the risks themselves still need to be made clear for this to be of value to readers**

**40%**

Used an arrow to indicate how each principal risk's profile has changed

**31%**

Included a heat map

**27%**

Provided an idea of risk appetite on risk-by-risk basis

**12%**

Disclosed key risk indicators in relation to their risks

**1%**

Quantified the potential impact of the principal risks

- A number of disclosure techniques were commonly used in risk reporting to provide context to the principal risks. For example, the majority of companies used an arrow to indicate how a principal risk's profile had changed year-on-year. Similarly, a heat map was regularly used by companies to show how the principal risks track against their potential impact and likelihood.
- But the value of these disclosures is dependent on providing sufficiently detailed company-specific information on the principal risks themselves, and graphics often need further explanation to be properly understood.



### Quick win:

Look again at the principal risk disclosures to ensure that they are company-specific, and consider whether using any of the techniques discussed opposite could enhance quality and understandability.

## Risk and controls

The depth of information on emerging risks varies

**30%**

Provided a detailed view of what the emerging risks were

**40%**

Gave no indication at all

- Despite the ever-evolving macro-economic environment, less than a third of companies provided this detail and 40% provided no indication of what these risks were.



### Quick win:

Check whether emerging risks are clearly identified and described in enough detail for the reader to be able to understand the potential implications for the business.

Risks relating to widely discussed social and economic issues are often not touched on

**66%**

Had no risk relating to keeping up with technological change

**46%**

Did not include labour shortages in their principal or emerging risks

**54%**

Did not include supply chain issues in their principal or emerging risks

- Risks will vary from company to company of course, but the number of companies not including risks on any of these topics is surprising.



### Quick win:

Revisit principal and emerging risks to consider if there are any gaps with regard to risks related to employees, technology and suppliers.



## Risk and controls

Company culture can be a key indicator of risk, but most culture disclosures are limited

**77%**

Described the ways in which culture was monitored

**28%**

Provided insights into what they did as a consequence

- The vast majority of companies provided an overview of how culture was assessed as per the UK Corporate Governance Code (the 'Code') – for instance through employee surveys or meetings with small groups of employees.

- It was much less common to find information on the conclusions that were drawn, or how culture was consistent with the established risk appetite. While culture can be difficult to articulate without resorting to platitudes, it can also be the difference between success and failure of a company.



### Quick win:

Revisit culture disclosures for completeness on monitoring activities and outcomes.

Disclosures around the effectiveness of internal control vary considerably

**9%**

Provided detailed insights into the outcomes from the board's review of the effectiveness of internal controls, including weaknesses

**32%**

Did not provide any information on the outcomes

- The Code requires the board to monitor the company's risk management and internal control systems and, at least annually, to carry out a review of their effectiveness and report on that review. The current disclosures are of mixed quality, with very few providing detailed insights into the outcomes.

- Changes are expected to the Code in 2023 to strengthen the internal control provisions following the Government's response to the 'Restoring trust in audit and corporate governance' consultation. This is an area that will come under a high level of additional scrutiny.



### Quick win:

Conclude on the outcomes of the effectiveness review, clearly identifying any areas where further work is needed, or will be a future focus.

## Stakeholder engagement

Key stakeholder issues are often reported...

**52%**

Described what the key issues were for their stakeholders

- It was only possible in around half of reports to understand what stakeholders' key issues were, and this had not really improved year-on-year. This emphasises the important role that a materiality assessment can play in identifying the most material issues for stakeholders, and responding to these.
- Without this information, the stakeholder engagement process could be seen as a box-ticking exercise, despite the internal and external value it might bring.

....but how they influence the business is less clear

**17%**

Explained how stakeholder engagement influenced decisions made or actions taken

- The next step is to explain how the engagement changed or influenced what the company did subsequently, but – again similar to last year – far fewer companies did so.



### Quick win:

Provide a clear link between the engagement process and resulting issues and any influence on key decisions.

## Stakeholder engagement

There is also limited evidence of KPIs being used in this area

**67%**

Did not include a KPI related to employee satisfaction or engagement

**64%**

Did not include a KPI related to customer satisfaction or other customer-related metrics

**91%**

Did not refer to employee turnover as a KPI

- Given the challenges that many organisations are experiencing with recruitment and retention and the fundamental importance of employees to a company's success, it is surprising that more specific metrics, and indeed targets, were not reported in this area in particular.
- The Financial Reporting Council (FRC) has also encouraged more use of metrics to demonstrate rigour in relation to engagement activities.



### Quick win:

Add any appropriate KPIs that demonstrate the rigour applied to stakeholder engagement, such as employee or customer satisfaction.

Evidence of long-term thinking by boards could be clearer

**46%**

Did not provide insights into the long-term consequences of board decisions

- Although there was evidence of improvement compared to the prior year, when 78% of companies did not provide any insights, there was still a lack of meaningful disclosure of this in section 172 statements beyond saying that the long term has been considered in key board decisions.



## ESG reporting – This year’s hot topic

Our review covered the first year of mandatory TCFD disclosures for those with December year ends onwards. Coupled with the international focus on ESG and climate change reporting and developments from the International Sustainability Standards Board (ISSB), European Union (EU) and the US Securities and Exchange Commission (SEC), this is one area that has continued to change substantially in this year’s annual reports.



For more detail on the international ESG and sustainability reporting developments, see our separate publication:

[Where do I start guide on international ESG and sustainability reporting developments](#)

## Explain what is important about ESG and why ...

- This has emerged as one of the key issues in ESG reporting. Extensive disclosures related to ESG matters are found across various parts of the annual report, as evidenced by ESG information taking up 26% of the average strategic report.
- But only just over half of companies in this year's review indicated that ESG matters were integral to strategy, as is the expectation of investors<sup>1</sup>, or underpinned their strategy. The remainder disclosed an ESG strategy that sat outside the core business strategy, or did not set out a clear ESG strategy at all.

## ESG evidenced across the annual report

**81%** Included non-financial matters as part of the current year variable executive remuneration

The average number of KPIs

**6.3**

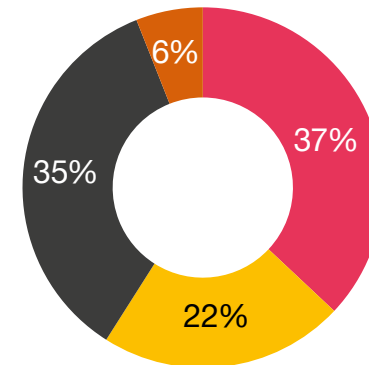
Financial

**4.8**

Non-financial

**45%** Had a board-level ESG committee

## How ESG is positioned in relation to strategy



### Key

- Integral to strategy
- Underpinning strategy
- Separate ESG strategy
- No ESG strategy evident

- This is important because where the relevance of ESG information is not clear – and this includes very lengthy disclosures that are not directly connected to business strategy – there is a real risk that reporting will come across as ‘greenwashing’, even if unintentional.
- As the ISSB and other reporting developments progress and come into force the relevance of ESG to the business will also become increasingly vital. The content of the proposed new frameworks could drive very extensive disclosures – particularly with the concept of double materiality proposed in European developments – so companies will need to assess carefully and explain what is (and, in some cases, what is not) material.

<sup>1</sup> In PwC's global investor survey, 2021, 82% of investors agree that companies should embed ESG directly into their corporate strategy.

**...and the same applies in particular to climate change**

Again, disclosures have often been very extensive, driven by the requirement to report against the four pillars of the TCFD framework under the Financial Conduct Authority's (FCA) Listing Rules. As with ESG generally, climate change-related information appeared across the annual report:

**43%** Had climate change as a principal risk, and a further 22% included it as an emerging risk (56% in total last year)

**48%** Included a KPI on carbon reduction

**41%** Included climate-related measures as part of the current year variable executive remuneration

It is still relatively early days for these disclosures, and we were encouraged by how positively many companies had approached TCFD reporting. However, we found that, apart from operational net zero commitments, most companies were more comfortable discussing governance and risk management than scenarios or metrics and targets.

**76%** Referred to net zero commitment

Most significantly of all, explicit reporting of the financial impact of climate change was rare. Most of the financial statement references were brief and often simply confirmed that the impacts were not material (or not yet material).

**61%** Mentioned 'climate change' in their financial statements, up from 23% last year

**<10%** Provided any quantification of physical or transitional risks

As these disclosures develop (and as better information becomes available in many cases), it is important for businesses to be clear about why they are making each disclosure. Where aspects of climate change are fundamental to the company's business model and strategy, these connections should of course be drawn out. But companies will no doubt continue to make net zero commitments in support of the UK Government's goals, for instance, and this should also be explained.



For more detail on how companies have responded to year one of mandatory TCFD reporting, see our separate publication:

[The green shoots of TCFD reporting – An analysis of the first 50 companies to report under the Listing Rules.](#)



**Quick win:**

Explain why ESG information is included, and, where relevant, link it clearly to strategy.



## Other aspects of the ESG agenda

Our review this year also looked specifically at evidence of reporting on some of the other most widely discussed aspects of ESG.

We noted additional disclosure being made in the areas of biodiversity, social mobility, equity and equality, gender and ethnic pay gaps and supplier relationships. New issues can emerge quickly in this area, politically or socially, needing rapid responses from companies.

**42%**

Referred to biodiversity in some way, and 2% included it as an emerging risk

**21%**

Included some discussion on social mobility

**25%**

Discussed supplier payment practices

**67%**

Provided either quantitative or qualitative targets for board diversity

Overall, though, we generally found limited content on these important areas. This might be due to the current regulatory emphasis on climate change diverting attention. Or, alternatively, it might be that the annual report is not seen as the main channel for communications about these issues, and others, such as a separate ESG report, are.



### Quick win:

Consider whether more should be disclosed about any of these important emerging aspects of ESG in a particular company's circumstances.

# Drawing together the challenges

We have seen how the extent of change in the quality of reporting is limited, other than the increasing content relating to ESG and climate change, and the new challenges that these areas bring. So, to take things a step further this year, we wanted to get behind the statistics to understand some of the reporting challenges that our findings reflect, by holding a series of interviews with senior representatives from a range of FTSE 350 companies.



**Our annual report is the single source of truth and drives a lot of other content. It is heavily reviewed internally and there is rigour over every word**

FTSE 350 company

The pages that follow summarise the key points from what we heard. The discussions identified real commitment to doing as good a job as possible, but also a lot of frustration at how difficult that is in practice. Many of these frustrations are not new and reflect reporting themes that have often been debated before, but we hope it's useful to draw them together here, as a candid set of reflections on the context for reporting today.

Many of the points raised are challenging of the current reporting status quo, hence our conclusion that it is time to draw a line in the sand to improve the quality of reporting. But many of our interviews also included very positive discussions about how the reporting challenges could be tackled, and a genuine appetite to do so. The final section of our report has more information on the four game-changers that we hope will help companies to find a way forward through the challenges they face and provide positive steps to improve reporting for stakeholders.

**There has been too much regulation too quickly (and with more to come)**

The sheer volume and complexity of reporting was noted by almost every company we spoke to. In particular, with the rapid speed of change we are seeing in ESG reporting, and the layering on of more reporting requirements from different regulators and standard setters, many companies are struggling to keep pace.



**There are too many regulators involved in the annual report that are not working to the same agenda, and as a result the annual report has become a hybrid beast**

FTSE 350 company



**You have to run to stay still just to achieve reporting compliance**

FTSE 350 company



### **The structure of the report is seen as too rigid**

Companies have a strong sense that they need to stick to the standard form of an annual report, and to position content where it is expected to be, even if that means duplication. As the demand for information from companies grows, the annual report has become an important source of information for proxy and ESG rating agencies, which can distract from its original purpose. Interaction with these bodies has also led some companies to believe that the report needs to be relatively formulaic and structured in order for the relevant information to be easily located.



**It would take one A4 page to explain our story – what we do, why we do it, how we are structured and our governance – it is very simple. But by the time this information has been applied across the structure of the whole annual report, it becomes complex and confusing**

FTSE 350 company

### Limited stakeholder feedback to act on

Feedback from stakeholders can impact the approach to reporting, but it is often hard to come by. Without it, companies might find it difficult to know if the content is really hitting the mark or whether there are gaps. Positive feedback has a role to play in recognising company efforts and encouraging companies to continuously improve their reporting.



**There is no incentive to 'cut the clutter'. Regulators need to encourage companies to try and do this without worrying about getting it wrong**

FTSE 350 company



**The level of perceived value of the annual report internally is reducing as there is a growing feeling that it is not used**

FTSE 350 company

### Significant resource requirements

In our conversations with companies, we heard that it was not unusual for senior stakeholders (including the head of investor relations, company secretary, head of finance and so on) to spend more than a quarter of their year working on the annual report. This represents a significant investment, especially in a smaller team, and with the sheer volume of change afoot, resourcing is likely to become even tighter in the future.

### Appetite of the board

If there is a desire not to stand out from the crowd, reporting will often focus on compliance and set a lower bar for transparency. In this situation, companies might be more comfortable with describing processes and procedures – which are often a statement of fact and indisputable – over judgements, assumptions and outcomes.



**Board members don't always care about achieving the best quality of reporting, as long as it is not deficient**

FTSE 350 company

### Responding to the pressure around ESG

ESG presents a conundrum for some companies. They want to recognise matters that are important to stakeholders, such as climate change and carbon emissions, but do not always determine these issues to be material to the business from a strategic perspective. This can lead to a disproportionate focus on some matters compared to others which are more relevant to the business.



**Climate is a principal risk for us, and we have a number of pages dedicated to it, but we don't have this for any other risk. Is this sustainable?**

FTSE 350 company



**There is an intense focus on the 'E' – from investors, rating agencies, customers – so we have to tell that story but it is probably overweight compared to the 'S' and 'G', which are arguably more mission critical for our business and where we would like to focus our efforts. Having said that, where would we be on climate without this?**

FTSE 350 company

### Concerns about providing forward-looking information

Companies might be hesitant to provide forward-looking information for fear of getting it wrong, or giving away competitive advantage. There is still concern about being judged on the accuracy of what is said, despite the potential benefits for investors.



**There are safe harbour provisions but there is a fear of providing forward-looking information and being judged, but this information would help investors to understand the business better**

FTSE 350 company



# 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"><li>• 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.</li><li>• Convert resources into reserves at all our operating mines.</li><li>• Continue standardising and improving our reserves and resources estimation process.</li><li>• Improve mine plans and geotechnical and financial models to upgrade probable reserves to the proven category.</li><li>• Continue the exploration programme at Juanicipio to further confirm reserves and resources.</li><li>• Complete the metallurgical testing at Orisyvo and land access at Tajitos and Rodeo.</li><li>• Advance the drilling programmes at our projects in Chile and Peru.</li></ul>	<ul style="list-style-type: none"><li>• US\$140.1 million was invested in risk capital in exploration.</li><li>• 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.</li><li>• 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.</li><li>• A geotechnical drilling programme at Orisyvo is progressing well, with the aim of developing an updated geotechnical model for mine design.</li></ul>	<ul style="list-style-type: none"><li>• Invest US\$180 million with a continued focus on the San Julián and Fresnillo districts and advanced exploration projects.</li><li>• Further develop resource modelling and reserve engineering activities initiated in 2020, with the aim of reporting proven reserves for all operating assets.</li><li>• Convert resources into reserves at all our operating mines.</li><li>• Continue the exploration programme at Juanicipio to investigate the deeper areas of the Valdecañas vein.</li><li>• 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.</li><li>• Continue engineering, social and environmental studies and advance land acquisition at Orisyvo; refine the mining and ore processing methods progressing towards a feasibility study.</li><li>• Advance drilling programmes at our Chilean projects; continue to strengthen our community relations programmes and resume drilling at our Peruvian projects.</li></ul>



### 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.

# Further information



If you would like to discuss any of the ideas within this paper in more detail, please get in touch.

You might also find some of our other publications of interest to help with your reporting.

## [The green shoots of TCFD reporting: An analysis of the first 50 companies to report under the Listing Rules](#)

This review of the first 50 disclosures against the TCFD reporting framework in the 2021/22 reporting season includes some considerations for companies ahead of their next round of disclosures. It provides more detail than is included in this report, and is supported by further statistics and examples.

## [International ESG and sustainability reporting developments](#)

This guide provides a summary of the recent developments in ESG and sustainability, including the latest from the following:

- ISSB
- EU
- SEC
- UK Government

While many of the developments are on an international or global level, our guide discusses these within a UK company context, including the extent to which the various proposals are likely to be relevant to them.

## [Restoring trust in corporate governance, reporting and audit series](#)

We have developed a series of practical guides for companies that wish to proactively push ahead with a number of the proposals from the UK Government's 'Restoring trust in audit and corporate governance'. The series covers the following:

- Internal controls
- Fraud risk management
- Audit and Assurance Policy
- Resilience statement

# Contacts

## **Mark O'Sullivan**

Head of Corporate Reporting  
E: mark.j.osullivan@pwc.com

## **Ollie Law**

Corporate Reporting Specialist  
E: oliver.law@pwc.com

## **Rachel Price**

Corporate Reporting Specialist  
E: rachel.e.price@pwc.com

## **John Patterson**

Corporate Governance Specialist  
E: john.t.patterson@pwc.com

## **Elaine Forrest**

Corporate Governance Specialist  
E: elaine.j.forrest@pwc.com

## **Patrick Leach**

Corporate Governance Specialist  
E: patrick.m.leach@pwc.com

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