Financial Reporting LAB

Performance metrics – Principles and practice

November 2018

Financial Reporting Council

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Introduction

Over recent years the Financial Reporting Lab ('the Lab') has carried out a series of projects addressing narrative reporting elements. This project follows on from the Lab's reports on ***Business model reporting*** and ***Risk and viability reporting***, and looks at how companies report on their performance.

There has been a great deal of regulatory change in the reporting of performance in recent years, including the European Union's Non-Financial Reporting Directive, the Commission's Action Plan on Sustainable Finance, the European Securities and Markets Association Guidelines on Alternative Performance Measures, the Financial Reporting Council's work in monitoring the use of those guidelines, and initiatives such as the Task Force on Climate-Related Financial Disclosures.

Due to the large amount of change, the Lab initiated a project to understand whether these changes met the needs of investors, and what investors considered to be best practice reporting. Those discussions resulted in the ***Performance metrics – an investor perspective*** report, which outlined that investors want metrics to be aligned to strategy, transparent, in context, reliable and consistent. This report, which forms the final part of the project, provides guidance to companies and examples of how companies can apply those principles.

What do we mean by 'performance metrics'?

This project has taken the term 'performance metrics' to mean all forms of metric a company might disclose. These may include financial metrics or wider metrics compiled under internationally recognised standards or frameworks, or according to decisions and policies at the company level.

This project highlighted that when trying to understand performance, investors utilise whatever information they think is likely to be useful, regardless of its type. Investors will, however, be seeking different metrics, or using them in different ways, depending on their position in the investment chain and investment focus.

While there are no universally agreed definitions for the types and categories of metrics, the terminology used in this project is explained in Appendix Two.

Examples used

Our report highlights some examples of current practice which resonated with the Lab team and investors. Not all of the examples are relevant for all companies and all circumstances, but each provides an example of where the company demonstrates how to enhance the value of their disclosures. Highlighting aspects of reporting by a particular entity should not be considered an evaluation of that entity's annual report as a whole.

Investors have contributed to this project at a conceptual level. The examples used are selected to illustrate the principles that investors have highlighted and, in many cases, have been tested with investors. However, they are not necessarily examples chosen by investors and should also not be taken as confirmation of a holding or acceptance of the company's reporting more generally.

Quick Read

Investors use performance metrics to gain insight over a number of areas. As part of the conversations that informed the first part of this project, it was clear that performance metrics are central to questions of value creation and ultimately to valuation. Performance metrics presented in a fair, balanced and understandable way are key to the communication between companies and investors.

Investors not only want to understand how a company monitors, manages and views its own performance, but may also use the metrics for a range of other purposes, including to:

- assess a company's use of capital or its capacity to add value;
- value a company;
- gain a greater understanding of a company's business model, strategy and risks;
- understand whether (and how) management are incentivised to drive the strategy of the company;
- make a forecast or assessment of future performance;
- understand a company's position within a market more fully; or
- make an assessment of management credibility.

These wide-ranging uses raise a number of questions for companies and investors as to which metrics are most important to disclose, and which provide the best picture of performance.

The principles

As an outcome of our investor conversations, the Lab identified five principles for reporting. The Lab's five principles were designed to consolidate the views of a range of investors to help companies decide how best to present the metrics they want investors to understand and utilise. ***Performance metrics – an investor perspective*** highlighted that investors want metrics to be:

- aligned to strategy;
- transparent;
- in context;
- reliable; and
- consistent.

The full principles and relevant questions for companies and boards are set out in Appendix One.

Principle One: Aligned to Strategy

It is important for companies to report those metrics that are being monitored and managed internally, and explain how and why they are used, including how they link to the company's strategy. However, companies have significant amounts of data that they use for internal monitoring purposes and therefore it can be challenging to know which metrics to disclose. In asking for metrics that are aligned to strategy, investors want to see those metrics that give them insight into the company's performance and strategy and provide indicators of the sources of long-term value. Companies can present how their metrics are aligned to strategy by:

- disclosing metrics that management uses internally, including where and how they link to remuneration;
- providing a combination of metrics linked to their strategic objectives, competitive advantage and business model, which may involve incorporating operational metrics alongside higher-level KPIs; and
- explaining what the metrics are and why they are important.

Principle Two: Transparent

If performance metrics are to be of value they must be meaningful, and a significant element of that meaning comes from the ability for users to understand what the metric attempts to measure and how it does so. Transparency is key, as it not only adds to understanding and builds credibility, but it also allows scope for investors to accept, reject or make their own adjustments to the metrics in their assessments of performance.

In expecting transparent disclosure, investors seek metrics that are reported with clear definitions and calculations. For non-GAAP metrics they seek clear explanations and reconciliations to GAAP measures. Companies can present metrics in a transparent way by:

- providing an explanation for the use of metrics and a full break down of non-GAAP to GAAP metrics;
- being consistent and using the same, transparent format over a number of years; and
- demonstrating that metrics which investors would expect to be attributable to specific numbers in the financial statements or reconciliations are directly drawn from them.

Explanations for specific adjustments is a particular area on which companies should continue to focus.

Principle Three: In Context

In understanding performance, investors want to understand what is achieved in the context of the company's aims. Providing context, whether specific achievements or the market context, is a key part of presenting performance. This includes explaining what a company was trying to achieve and what it has achieved, with explanations for where this is good or poor; the company's position and prospects in the market; and its longer-term objectives. Targets are considered helpful, with longer-term ranges appropriate in some circumstances.

Companies provide context by:
- disclosing targets for metrics, showing whether performance has achieved its target or not;
- referencing an industry benchmark when disclosing performance where this is relevant; and
- providing a market context that is linked to how that context affects the company.

Principle Four: Reliable

Investors seek comfort that the metrics being disclosed are calculated appropriately, and that there is sufficient governance and oversight over their use and reporting. Reliability does not necessarily mean audit, and there was a view amongst investors that there is a range of oversight and assurance to which metrics may be subjected. Knowing where in this range the metric sits is important for investors, as they can then understand the level of reliability, and question companies where they think the metric is not subject to enough oversight. They expect the board and audit committee to be challenging the relevance and reliability of metrics.

Companies can help present the reliability of their metrics by:
- making the governance and oversight over metrics clear;
- explaining the levels of scrutiny to which metrics have been subjected; and
- highlighting third party information in conjunction with internal information where relevant to strategic objectives.

Principle 5: Consistent

Consistent reporting (including of definitions) across time, and across reporting formats, helps build credibility, as investors feel that they are getting a consistent and solid view of the state of the company. Although it is important to align metrics to strategy, some investors seek more industry standardisation, whether because it fits more effectively with their investment approach or role, or as a guard against what they see as 'flexible' definitions.

Transparent and detailed disclosure is the bridge between those that recognise the value in a company telling its own story and those that seek more standardised disclosure. Both companies and investors agree that greater granularity, for example around non-GAAP reconciliations to GAAP numbers, would at least give investors the ability to make their own comparisons across companies. Companies can show that their reporting is consistent by providing:

- consistent information across reporting formats, even if it is presented differently for different audiences;
- performance with reference to industry benchmarks or standards; and
- a five-year track record.

List of examples included in the report		
Identified attribute	**Company**	**Page**
Principle One: Aligned to Strategy		
Link between strategy and metrics	Vodafone Group plc	6
Link between strategy and metrics	Rolls-Royce Holdings plc	7
Presentation of KPIs	DS Smith plc	8
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Principle Two: Transparent		
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Principle One:
Aligned To Strategy

Introduction

Investors are seeking to understand how the management and board views a business and how it measures the success of its strategy. They want to understand what is considered important internally, as that is likely to provide insight into the company's business model, strategy and prospects for creating long-term value.

Overview of investor views

Links between business model, strategy and objectives

Most investors want companies to present metrics that are monitored and managed internally. This helps investors assess what the company is aiming for, gauge whether the right areas are being monitored, and assess effectiveness and the quality of governance.

Many investors feel that it is often difficult to see how metrics link to strategy because metrics offer only a view of performance to date rather than providing a better indication of future sources of value. Whilst it is important to understand past performance, investors are also trying to understand the company's future prospects. They increasingly seek metrics that help them form a better picture of the sources of future value such as order book data, or employee churn.

KPIs and other metrics

While some metrics outline performance over a historic period and may be used for forecasting purposes, other metrics may themselves provide more of an indication of future sources of value for a company. Those metrics that are closely aligned to a company's strategic objectives and its competitive advantage are considered most helpful. KPIs and other metrics reported by a company are used alongside metrics reported by third parties, so it is important for companies to think about how they disclose all metrics, only a subset of which may be presented as KPIs.

A number of investors highlight a distinction between KPIs and other metrics. Most investors expect metrics to be aligned closely to strategy, but many, who may assess a wider range of companies or are interested in specific topics, feel that other metrics should be reported more regularly and consistently, as this allows for benchmarking over time or against peers.

In attempting to build a better picture of a company, investors stress that a lack of 'auditability' does not necessarily mean that metrics should not be included. A clear statement of how the metric is used, the scope of the information, and the level of assurance attached to each, if any, are considered helpful.

Remuneration

Many investors expect a clear link between the metrics used by management to monitor and manage performance and remuneration. Some investors expressed more scepticism about the application of wider metrics on remuneration, as they felt that the boundaries and reliability could be less clear, giving an impression that these could be more easily managed.

Overview of company perspective

Links between business model, strategy and objectives

Many companies have a clear vision of the important drivers of value, and therefore, the metrics used to monitor and manage the value they are generating. A number of companies outline, however, that overlapping reporting requirements and expectations can make it difficult to ensure metrics used internally are highlighted clearly. The Lab's recent implementation study covering business model reporting found that articulation of business models, particularly to explain how the company generates value, still has scope for improvement.

KPIs and other metrics

Other companies acknowledge that, in a group structure, it can at times be difficult to consolidate diverse strategic drivers into a small set of KPIs. Some try to address this by providing KPIs or metrics at different levels, such as operating KPIs, or information on specific assets, markets or products.

Many companies stressed the rigorous reviews they conduct on publicly-reported information and that, often, they may be reluctant to report other metrics that have less oversight attached to them.

Remuneration

Companies are increasingly seeking to develop and incentivise performance on a wider set of issues provided that they can demonstrate sufficient levels of reliability.

Lab view

Links between business model, strategy and objectives

Companies can achieve a balance between reporting past performance and providing an indication of possible future value by disclosing a range of metrics. Vodafone (page 6) presents core programmes, growth engines and financial performance along with operational metrics. Rolls Royce (page 7) addresses one of the challenges of group structures by disclosing both financial and operational highlights at the group and divisional level. It also discloses Research and Development (R&D) spend and order book metrics linked to its strategic objectives.

Disclosures that describe what metrics are and why they are important, what a company is trying to achieve and related targets, progress in achieving the aims and links to remuneration are considered optimal. Some formats for presenting this information are shown by DS Smith (page 8) which sets out goal, approach, performance, KPI, target and definition; Taylor Wimpey (page 8) which discloses 'what we do, why is it important' alongside progress, priorities and KPIs; and Auto Trader (page 9) which presents strategic pillars with key metrics, focus areas, progress and KPIs.

KPIs and other metrics

It can be challenging to report all of the metrics that might be useful, but explaining how metrics are used internally and their reliability may assist in deciding what to disclose. Highlighting those metrics that align with long-term strategy are likely to reinforce the company's message.

Remuneration

Two examples of presenting the links from KPIs to remuneration are provided by IHG (page 9) and GPE (page 9), which use symbols and narrative to explain alignment.

Company management and their boards should ask…

- Do our metrics clearly link to our company's strategy and value drivers? Have we addressed all relevant financial and wider metrics?
- Are we reporting the metrics that are being monitored and managed internally?
- Is there a clear link between the metrics that drive our business model and strategy, and our remuneration policy?

Monitoring progress and performance

We measure our success by tracking key performance indicators that reflect our strategic, operational and financial progress and performance.

These drive internal management of the business and our remuneration.

Changes to KPIs this year

We have updated some of our KPIs to more accurately reflect our progress and performance.

New KPIs

- Mobile data growth and network quality
- Average smartphone data usage per customer in Europe
- IoT SIM growth

KPIs removed

- 4G coverage

Notes:
1 Includes Netherlands.
2 Includes India.
3 Excludes Qatar.
4 Excluding the impact of a German legal settlement.

Service revenue, fixed revenue, enterprise service revenue, IoT revenue, adjusted EBITDA, adjusted EBITDA margin, free cash flow (pre-spectrum) and organic growth are alternative performance measures. See "Alternative performance measures" on page 207 for further details and reconciliations to the respective closest equivalent GAAP measure.

Paying for performance

The incentive plans used to reward the performance of our Directors and our senior managers, with some local variances, include measures linked to our KPIs. These KPIs continued to show improvement, and as a result this year's Group annual bonus was higher than last years as overall performance was ahead of our internal targets.

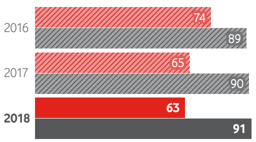
70 Read more on rewards and performance in the Remuneration Report

Core programmes

Network leadership
Mobile data growth and network quality

The growth of Group data traffic over our network and proportion of data sessions delivered at high-definition (HD) quality (i.e. exceeds 3 Mbps).

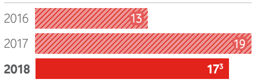
Achieved



Customer eXperience eXcellence ('CXX')
Consumer mobile net promoter score[1,2]
number of markets with NPS leadership or co-leadership, out of 20 markets

We use NPS to measure the extent to which our customers would recommend us to friends and family. Our goal is to be NPS leader in all of our markets.

More work to do



Fit for Growth
Grow adjusted EBITDA faster than service revenue, improving margins
out of 25 markets

The number of markets growing organic adjusted EBITDA faster than service revenue.

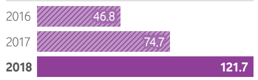
Achieved

Growth engines

Mobile data
4G customers[1,2]
million

To monetise our network investments, we aim to migrate and attract new customers on to our 4G network. We have continued to significantly grow our 4G customer base and as a result data usage on our network has increased by 63% over the last year.

Achieved



Fixed and Convergence
Fixed broadband and converged consumer customers[1,2]
million

We aim to rapidly grow our fixed broadband customer base through market share gains, and drive convergence across our fixed and mobile customer base. During the year we added 1.3 million broadband customers, and maintained our position as the fastest growing broadband provider in Europe, taking our total customer base to 19.7 million (including JVs and associates). We also added 0.8 million converged customers in the year, taking our overall total base to 5.5 million (including VodafoneZiggo).

Achieved

Enterprise:
Fixed as a percentage of enterprise service revenue
%

Our core European mobile business continued to face ARPU pressure in mobile reflecting ongoing price competition. As a result, we are seeking to diversify into fixed and enterprise related services to offset this pressure.

Achieved

22 Read more on our financial performance

Statutory figures

Statutory figures		2018	2017	2016
Group revenue	€m	**46,571**	47,631	49,810
Operating profit	€m	**4,299**	3,725	1,320
Profit/(loss) for the financial year	€m	**2,788**	(6,079)	(5,122)
Closing net debt	€m	**(31,469)**	(31,169)	(28,801)
Weighted average number of shares	m	**27,770**	27,971	26,692
Total dividends per share	€c	**15.07**	14.77	14.48

Alternative performance measures

Read more on our Alternative performance measures 207

Alternative performance measures		2018	2017	2016
Group service revenue	€m	**41,066**	42,987	44,618
Adjusted EBITDA	€m	**14,737**	14,149	14,155
Adjusted EBIT	€m	**4,827**	3,970	3,769
Adjusted earnings per share	€c	**11.59**	8.04	6.87
Free cash flow pre-spectrum	€m	**5,417**	4,056	1,271
Free cash flow	€m	**4,044**	3,316	(2,163)

Key financial ratios

Read more on our Key financial ratios 207

Key financial ratios		2018	2017	2016
Organic service revenue growth	%	**1.6[1]**	1.9	1.1
Adjusted EBITDA margin	%	**31.6**	29.7	28.4
Organic adjusted EBITDA growth	%	**11.8**	5.8	2.3
Organic adjusted EBIT growth	%	**47.2**	7.0	(7.3)
Capex intensity	%	**15.7**	16.1	21.2
Net cost of debt	%	**2.5**	2.5	1.7
Adjusted effective tax rate	%	**20.6**	25.4	26.6
Adjusted earnings per share growth	%	**44.2**	17.0	N/A
Leverage (net debt/adjusted EBITDA)	n/a	**2.1**	2.2	2.0

Operational metrics

Operational metrics		2018	2017	2016
Europe mobile customers[2]	millions	**118.7**	120.7	121.4
AMAP mobile customers[3]	millions	**417.1**	395.0	371.2
Group fixed broadband customers[2,3]	millions	**19.7**	18.0	13.4
Group consumer converged customers[2]	millions	**5.5**	3.8	3.1
Group data traffic	exabytes	**3.6**	2.2	1.4
European NGN homes passed (on-net)[2]	millions	**36.1**	36.1	27.1
Average number of employees	thousands	**104**	106	105

Sustainable business metrics

Sustainable business metrics		2018	2017	2016
Women in management and leadership roles	%	**29**	28	27
Estimated additional female customers in emerging markets	millions	**3.9**	9.4	–
Greenhouse gas emissions (scope 1 and 2)	m tonnes CO_2e	**2.58**	2.54	2.54

Strategic growth engines (2018)

Mobile data growth
63% Group mobile data growth

Fixed/Convergence momentum
1.3m Broadband net adds

Enterprise outperfomance
2.1% ex. regulation[4] Service revenue growth

1 Excluding the impact of a German legal settlement. 2 Including VodafoneZiggo. 3 Including India, JVs and associates. 4 Excluding the impact of EU regulation.

What is useful?

KPIs linked to strategy, presented as core programmes and growth engines. The financial highlights list a range of metrics at different types and levels of information, including statutory numbers, alternative performance measures, key ratios, operational metrics and sustainable business metrics, but a number correlate to the KPIs.

***Vodafone Group Plc**, Annual Report 2018, pages 2 and 20*

Progress in Civil

"Our strong position on new widebody aircraft is underpinning substantial growth"

Growth	Ramp up	Trent 7000
20% growth in large engine invoiced flying hours	24% growth in large engine deliveries; progress on OE losses	A330neo received EASA certification

Pearl 15 | New technology

Financial key performance indicators

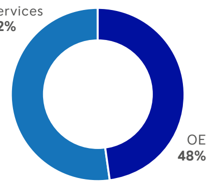
Description	Why we measure it	How we have performed	
Order book **£78.5bn**	We measure our order book as an indicator of future business volume; however, its value may not be reflective of future revenue. [1]	The 3% decline principally reflects the current period where Civil Aerospace engine deliveries have outpaced new orders as Civil Aerospace customers focused on delivering against their backlog. Power Systems and Nuclear order books improved, reflecting greater activity.	£bn 2017 78.5 2016 80.9 2015 76.4 2014 73.7 2013 71.6
Order intake **£17.2bn**	Order intake is a measure of new business secured during the year and represents new firm orders, adjusted for the movement in the announced order book between the start and end of the period. [2]	Order intake was £1.9bn lower than achieved in 2016 due to Civil Aerospace customers focusing more on delivery of airframes than new sales campaigns. All other business units saw an improvement in their order books, including in Marine from what was a low base.	£bn 2017 17.2 2016 19.1 2015 18.2 2014* 19.0 2014** 19.4 2013 26.9
Underlying revenue **£15,090m**	Monitoring of revenue provides a measure of business growth. [3]	Underlying revenue rose 6% organically, [8] reflecting increased delivery volumes in both Civil Aerospace and Defence Aerospace plus improved end markets at Power Systems. Service revenue was 7% higher led particularly by growth in Civil Aerospace.	£m 2017 15,090 2016 13,783 2015 13,354 2014* 13,864 2014** 14,588 2013 15,505
Self funded R&D as a proportion of underlying revenue **6.9%**	This measure reflects the need to generate current returns as well as to invest for the future. [4]	Disciplined control of spend kept R&D stable as percentage of sales, with self-funded R&D increasing to £1.04bn. This was primarily due to expenditure within Civil Aerospace, focused on new engines coming into service, progress on next generation UltraFan and business jet development programmes.	% 2017 6.9 2016 6.8 2015 6.2 2014* 5.9 2014** 5.8 2013 4.8
Capital expenditure as a proportion of underlying revenue **5.1%**	To deliver on its commitments to customers, the Group invests significant amounts in its infrastructure. [5]	Capital expenditure rose as proportion of revenue, and was £764m in absolute terms, reflecting investment in modernising manufacturing processes and facility expansion within Civil Aerospace, upgrading of Defence Aerospace's Indianapolis site and expansion of our spare engine fleet to support the growing installed base of widebody engines.	% 2017 5.1 2016 4.5 2015 3.7 2014* 4.7 2014** 4.6 2013 4.4

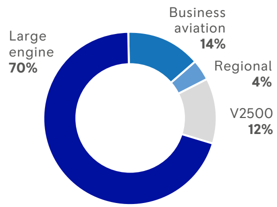
Civil Aerospace | Key financial data *

	2017	Year-on-year change	Organic change†
Underlying revenue	£8,023m	+14%	+12%
Underlying gross profit	£1,192m	+1%	-2%
Underlying operating profit	£520m	+42%	+34%
Trading cash flow	£38m	-12%	-12%
Order book	£70.2bn	-3%	-3%

* See note 2 on page 132 for further segmental detail.
† Organic change is at constant translational currency, excluding M&A.

Underlying revenue mix





Key highlights

- Underlying revenue and underlying operating profit growth of 12% and 34% respectively, driven by 35% increase in large engine delivery volumes and a 12% increase in invoiced flying hours
- Underlying service revenue grew by 12%
- Unit cost reductions and pricing improvements; 37% reduction in Trent XWB-84 cash deficit; and overall OE cash deficit stable at £1.6m, as expected given the change in production mix
- Good progress on new engine programmes during 2017: Trent 1000 TEN entering into service, Trent XWB-97 achieving certification, and Trent 7000 powering Airbus A330neo first flight
- Significant in-service engine issues on Trent 1000 and Trent 900; principally due to lower than expected durability of certain turbine and compressor rotor blade parts (see page 24); and focus to mitigate disruption to customers, current year £227m income statement charge and £170m impact to cash flow
- Change in R&D policy application: £83m of the £243m increase in R&D capitalisation in year

"The performance metrics are a clue as to what is important to management – their choice is an insight in itself" – **Investor**

What is useful?

Financial KPIs presented with an explanation of why they are measured, what the performance was and a five year record, including order book and R&D measures. Rolls-Royce also provides disaggregated data, for example addressing civil aerospace, presenting key highlights and drivers at a more operational level, which are also presented in the investor presentation.

***Rolls-Royce Holdings plc**, Annual Report 2017, pages 14 and 21, and 2018 Half Year results, Presentation, 2 August 2018, slide 11*

We aim to double our size and profitability by growing through market share gains, investing behind growing parts of the corrugated packaging market and making acquisitions.

We do this by

- Winning market share
- Growing with our customers
- Expanding our footprint through acquisitions and greenfield sites
- Building a resilient and sustainable business model

Our performance

In 2017/18 we delivered:

- 5.2 per cent underlying box volume growth
- 17 per cent revenue growth (constant currency)
- 16 per cent adjusted operating profit growth (constant currency)
- Expansion of our corrugated packaging and paper operations into north America
- High growth from multinational and e-commerce customers

In 2018/19 we will:

- Continue to drive growth through investment and acquisitions
- Optimise our manufacture and sourcing of CCM
- Maximise efficiency of operations and procurement

Our KPIs

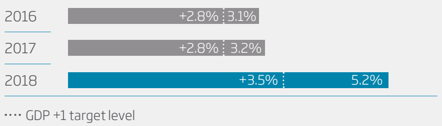
Like-for-like corrugated volume growth

Definition
Like-for-like volume of corrugated box products sold (excluding the effect of acquisitions and disposals) measured by area.

Target
GDP +1% weighted GDP +1% target

Why this is a KPI
We target volume growth above GDP because we expect to win market share by delivering value to our customers across their supply chain on a multinational basis. We invest in areas that we expect to grow ahead of GDP, such as e-commerce packaging and display packaging.

2018 Performance
In 2018 our corrugated box volumes grew 5.2 per cent consistently throughout the year. This is significantly ahead of the target of GDP + 1 per cent (being 3.5 per cent) and represents a step change compared to prior years. The drivers behind this are success in our recently acquired north American business along with significant growth in Germany and eastern Europe.



Return on sales

Definition
Earnings before interest, tax, amortisation and adjusting items as a percentage of revenue.

Target
8-10%

Why this is a KPI
The margin we achieve is a reflection of the value we deliver to our customers and our ability to charge for that value. It is also driven by our scale. A higher return on sales makes the profit more resilient to adverse effects.

2018 Performance
In 2018 we achieved a return on sales of 9.2 per cent, broadly consistent with the prior two years and in the upper half of our target range of 8–10 per cent. This has been delivered despite substantial short-term headwinds from the very significant rise in paper prices over the year, which is the largest input to our corrugated packaging. These input cost increases have been recovered progressively through the year, with a time lag.

Adjusted return on average capital employed (ROACE)

Definition
Earnings before interest, tax, amortisation and adjusting items as a percentage of average capital employed, including goodwill, over the prior 12 month period.

Target
12-15%

Why this is a KPI
Our target ROACE of 12–15 per cent, to be delivered throughout the economic cycle, is above our cost of capital. ROACE is a key measure of financial success and sustainability of returns and reflects the returns available for investment in the business and for the servicing of debt and equity. All investments and acquisitions are assessed with reference to this target.

2018 Performance
In 2018 we achieved a ROACE of 14.1 per cent, near the top of our target range. This includes the acquisition of Interstate Resources, which joined the Group on 25 August 2017.

30

What is useful?

Linked presentation of goal, approach, performance, KPI, definition and target.

***DS Smith plc**, Annual report & accounts 2018, page 30*

What is useful?

KPIs linked to strategy, presented as what we do, why it is important, with progress, priorities and KPIs.

***Taylor Wimpey plc**, Annual Report and Accounts 2017, page 21 – business model*

Optimising value

We look to optimise the value of each site not only during the initial acquisition process, but throughout the planning and development stages so that the original value is not only protected but enhanced.

What we do

Our ability to constantly increase efficiency and tightly control costs is part of the Taylor Wimpey culture and remains central to delivering enhanced returns. This extends to and encompasses all aspects of our business as we strive to optimise and capture value at every level from procurement through to delivery. We also aim to add value to the charities we support and to our wider partnerships.

Why is it important for all our stakeholders?

The discipline of continually reviewing and challenging ourselves to do more ensures we do more than simply protect the business, we enhance the value.

We believe that as a responsible business we must actively contribute to helping others, whether financially, with our time or with our expertise.

How are we different?

We have a relentless focus on value at every stage of our business model and this is ingrained into the Taylor Wimpey mindset. We also balance our desire to improve quality with a focus on making our assets work harder for us and our stakeholders.

Our KPIs

£69.3k
Contribution per legal completion

49.6%
Forward order book as a percentage of completions

Risk link to KPI

A B C D E F

Read more on pages 34 and 35.

Progress in 2017

In the year, we achieved a 1.7 percentage points margin upside on completions from land acquired since 2009, compared with the expected margin at the point of acquisition. We further increased contribution per completion in 2017. In total, during 2017 we donated and fundraised over £1 million for registered charities (2016: over £875k), in addition to c.£90k for other organisations, such as scout groups and other local community causes (2016: c.£159k).

Priorities for 2018

Continue to actively review every site and optimise new sales outlets prior to opening. Continue to focus on building a strong order book for the future. Continued commitment to supporting charities and local community groups in the areas in which we operate.

Strategic pillars

Focus areas

Improve car buying in the UK

1. **Increase consumer audience, advert views and use of our valuation tools**

Having the largest and most engaged consumer audience is one of the key components in our network effects business model. Investing in the best consumer experience and growing audience underpins the value we deliver to our retailers. Part of that experience is the free valuation tool we offer.

2. **Improve stock choice, volumes and accuracy**

Consumers visit Auto Trader because of the volume and choice of trusted stock from our fragmented customer base. It's important we maintain coverage across age, price, region, make and model to ensure we can meet the buying needs of all our consumers. Stock is underpinned by accurate taxonomy, which we continue to improve.

KPIs

2018 progress	Relevant risks	How we measure progress
We have maintained our share of audience versus competitors and kept full page advert views, our key measure of audience engagement, consistent year on year.	2 Brand: Failure to protect our brand could result in a reduction in audience. 3 Increased competition: Competitors could develop a superior consumer experience which we find hard to replicate, resulting in loss of audience share.	– Advert views – Cross platform minutes
We grew the number of live cars on site 1% in the year, giving consumers greater choice. We offered free consumer adverts for cars priced under £1,000, to gain share in this space.	1 Economy, market and business environment: Declining used cars transactions could lead to a reduction in the amount of car stock in the market. 3 Increased competition: Competitors could expand from specific types of stock, with smaller niche audiences, into other types of stock and disrupt our market position.	– Live stock – Number of retailer forecourts

What is useful?

Auto Trader presents its strategic pillars alongside some key metrics – both financial and operational metrics. Those metrics are included in 'how we measure progress', where focus areas are presented alongside progress and the relevant KPIs.

***Auto Trader Group plc**, Annual Report and Financial Statements 2018, pages 13, 20 and 21*

Our strategic pillars

Improve car buying in the UK

Evolve the automotive ecosystem in the UK

Financial	Operational
Revenue (£m): 330.1	Advert views (Average number per month (millions)): 246
Average Revenue Per Retailer ('ARPR') (£ per month): 1,695	Number of retailer forecourts (Average number per month): 13,213
Operating profit (£m): 220.6	Live car stock (Average number of physical cars advertised on autotrader.co.uk per month): 453,000
Operating profit margin: 67%	Cross platform minutes (Monthly average minutes spent across all our platforms (millions)): 618

Rationale

TPR measures a company's performance at driving value from its property portfolio. It is calculated from the net capital growth of the portfolio plus net rental income derived from holding these properties plus profit or loss on disposals expressed as a percentage return on the period's opening value as calculated by IPD.

Commentary

TPR is compared to a universe of £53.7 billion of similar assets included in the IPD central London benchmark. The Group generated a portfolio TPR of 5.5% in the year whereas the benchmark produced a total return of 8.2%. This relative under-performance resulted from our higher than benchmark exposure to investment properties with shorter lease lengths, where valuations were less resilient given the potential leasing risk. These properties form our development pipeline and active portfolio management opportunities where income is necessarily shorter to enable us to unlock the future longer-term value upside.

Alignment with remuneration

Performance criteria for Executive Directors' and certain senior managers' long-term incentives. The capital element of TPR is a performance criteria for Executive Directors' and employees' annual bonus.

▶ **See more** on page 113

What is useful?

KPIs presented with clear reference to alignment to remuneration also included.

***Great Portland Estates plc**, Annual Report 2018, page 27*

KPIs

Strategic Model and targeted portfolio

Net rooms supply
Net total number of rooms in the IHG System.

A LT

2017	798,075
2016	767,135
2015	744,368[a]

Growth in underlying fee revenues[b]
Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages.

2017	4.1%
2016	2.3%
2015	7.5%

2017 status

4.0% increase in net system size

31% pipeline as a % of system size

83,481 rooms signings

What is useful?

Presentation of wider metrics, such as net rooms supply, with the link to long-term and annual remuneration clearly identified.

***InterContinental Hotels Group plc**, Annual Report and Form 20-F 2017, page 23*

Principle Two: Transparent

Introduction

Transparency is considered a key principle, not only because it adds to understanding and builds credibility, but also because it allows scope for investors to make their own adjustments and assessments of performance. Understanding how metrics are calculated and defined, and clear explanations of why metrics are used and reported, are key to the transparency of a metric.

Overview of investor views

Investors expect to be provided with the information that informs their investment decisions. They feel that information not being provided because it is considered commercially sensitive is only appropriate in exceptional circumstances.

Non-GAAP metrics

Transparency on non-GAAP metrics has two facets: firstly, disclosure around the type, level and magnitude to allow investors to make their own assessment or adjustment; and secondly, transparent justification for the use of a specific metric or adjustments. Some investors are supportive of individual adjustments being disclosed, along with an explanation of why each was made and why the metrics used provide a more relevant reflection of performance and better view of long-term value. Others, whilst supportive of increased disclosure, feel that only material adjustments need to be explained in that way.

Adjustments made to non-GAAP metrics that are not fully justified and explained, particularly where these result in significant changes to the reported metric, are met with scepticism. Investors are beginning to pay more attention to the accumulation of adjustments over time. They generally feel that not enough information is reported to allow an understanding of whether both a company's decisions and the related adjustments made to a non-GAAP metric can be considered economically rational.

"I need to know what goes into each category of adjustment, for example, restructuring, to understand the business. Is constant restructuring an attempt to realign the business or poor decision-making?" **– Investor**

"'Why do we use it' disclosures can be so helpful in understanding a metric" **– Investor**

Remuneration

There is a range of views about the use of metrics for remuneration that have been further adjusted from the KPIs and metrics reported elsewhere. There is a view among some investors that such adjustments are not appropriate. Other investors are more accepting of 'adjusted adjusted' metrics, as they consider that they can help them more accurately assess the value added by the current executives.

Overview of company perspective

Company participants seek to be transparent, but clearly do not wish to disclose sensitive information that they feel may compromise their competitive advantage.

Non-GAAP metrics

Regulatory changes around the reporting of non-GAAP metrics have, in many cases, driven companies to be more transparent about reconciliations and adjusting items.

Many companies have specific requirements for adjustments. For example, they may have policies in place addressing what can be included within a restructuring charge. These may be overseen or approved by the audit committee and could be subject to scrutiny by auditors. Some companies have sought to provide greater disclosure and more detailed breakdowns.

Remuneration

For remuneration metrics subject to further adjustment from those reported elsewhere, some companies have increased the level of engagement between remuneration and audit committee members.

Regulatory perspective

In response to ESMA's Guidelines on Alternative Performance Measures, the FRC continues to challenge companies on how they present, reconcile and explain their financial measures. A summary is set out in Appendix Three.

Lab view

Where companies consider information to be commercially sensitive it would be helpful to investors to understand why they consider it to be so, and why it would prejudice their commercial advantage.

Non-GAAP metrics

Explanations and more granular information about adjustments can help investors understand why the adjusted metrics are appropriate and enable them to make their own adjustments where necessary. Companies can provide additional information about their adjustments. For example Informa (page 11) breaks out its restructuring costs into some more specific sub-categories. RSA (page 11) provides reconciliations of statutory numbers to more granular management numbers in a table format and shows how certain key ratios are calculated.

Remuneration

Companies should provide full explanations and justifications for the metrics used to determine remuneration outcomes, particularly where these have been adjusted from metrics disclosed elsewhere.

Company management and their boards should ask…

- Is it clear to investors why we use these metrics and what performance they are trying to represent?
- Are we transparent about the way in which our metrics are calculated and defined?
- Where we report non-GAAP metrics, do we explain why and how they more appropriately represent our business model and strategy? Where we make adjustments to exclude cost items, do we also exclude the related gains? Do we explain why we have made specific adjustments, at least at a material level?

What is useful?

Granular categorisation of the use of 'restructuring and reorganisation' costs, breaking out redundancy costs, reorganisation costs and vacant property costs. These and other numbers are identifiable from other areas in the Annual Report and Accounts. The tax effect of adjusting items is also shown, which investors find helpful.

***Informa plc**, Annual Report and Financial Statements 2017, page 150*

8 ADJUSTING ITEMS

The following charges/(credits) are presented as adjusting items:

	Notes	2017 £m	2016 (restated)[1] £m
Intangible amortisation and impairment			
Intangible asset amortisation	17	**157.8**	116.4
Impairment – goodwill	16	**3.4**	65.8
Impairment – other intangible assets	17	**2.2**	1.9
Acquisition and integration costs	7	**24.0**	33.1
Restructuring and reorganisation costs			
Redundancy costs		**5.7**	6.0
Reorganisation costs		**1.0**	(0.4)
Vacant property costs		**6.2**	1.6
Subsequent remeasurement of contingent consideration	7	**(0.1)**	(7.4)
Adjusting items in operating profit		**200.2**	217.0
Loss on disposal of subsidiaries and operations	20	**17.4**	39.8
Investment income	11	**–**	(58.9)
Adjusting items in profit before tax		**217.6**	197.9
Tax related to adjusting items	13	**(62.6)**	(63.1)
Tax adjusting item for US federal tax reform	13	**(85.4)**	–
Adjusting items in profit for the year		**69.6**	134.8

1. 2016 restated for finalisation of the fair value of assets acquired and liabilities assumed for the Penton acquisition completed in 2016 (see Note 4).

	C+J+L+N	P	157	PY Underwriting
	Z – P	Q	237	CY Underwriting
			394	
Attritional loss ratio	G / B	R	55.3%	
Weather loss ratio	H / B	S	2.6%	
Large loss ratio	I / B	T	10.8%	
Prior year loss ratio	V–R–S–T	U	(2.8%)	
Loss ratio	F/A	V	65.9%	
Commission ratio	(K+L) / A	W	13.7%	
Expense ratio	(E+M+N) / A	X	14.4%	
Combined operating ratio	V + W + X	Y	94.0%	

What is useful?

Reconciliation of statutory numbers to more granular management numbers, also a 'key' showing that the metrics are directly attributable to financial and reconciling items presented.

***RSA Insurance Group plc**, Annual Report and Accounts 2017, page 193*

1. Reconciliation between IFRS and management P&L

For the 12 months ended 31st December 2017

£m	Continuing (IFRS)	Discontinued (IFRS)	Total (IFRS)		Underwriting result (Management)	Investment result (Management)	Central costs (Management)	Operating result (Management)	Non-operating charges (Management)	Profit before tax (Management)
Income										
Gross written premiums	7,599	–	7,599		7,599					
Less: reinsurance premiums	(921)	–	(921)		(921)					
Net written premiums	6,678	–	6,678		6,678					
Change in gross provision for unearned premiums	(16)	–	(16)		(16)					
Less: change in provision for unearned reinsurance premiums	(57)	–	(57)		(57)					
Change in provision for unearned premiums	(73)	–	(73)		(73)					
Net earned premiums, analysed as	6,605	–	6,605	A	6,605					
Current year				B	6,590					
Prior year				C	15					
					6,605					
Investment income	331		331	D		331				
Realised gains on investments	19		19						19	
Gains/(losses) on exchange derivatives	(5)		(5)						(5)	
Unrealised gains/(losses)	1		1						1	
Impairments	4		4						4	
Net investment return	350	–	350							
Other insurance income	146		146	E	146					
Other non-insurance income	4		4				4			
Foreign exchange gain	–		–						–	
Other operating income	150	–	150							
Total income	7,105	–	7,105							
Expenses										
Gross claims incurred	(5,136)		(5,136)		(5,136)					
Less: claims recoveries from reinsurers	786	–	786		786					
Net claims, analysed as	(4,350)	–	(4,350)	F	(4,350)					
Attritional				G	(3,642)					
Weather				H	(168)					
Large				I	(713)					
Prior year				J	173					

Principle Three: In Context

Introduction

Information that is presented in context allows for an understanding of the positioning of a company. This information could relate to the context of the performance achieved, the context of the company in the market, or some other context-setting which aids an understanding of the company and its prospects.

Overview of investor views

Performance and position

Investors consider it very important that companies represent performance in the context of what they were trying to achieve, what they have achieved, and what this means for their current position and future performance.

Regarding performance, investors feel that, not only is the disclosure of objectives important, but also an understanding of how they have been achieved, or if not, the reason for this. Metrics on position are also considered helpful. Many investors feel that disclosures do not provide sufficient overview of the drivers underlying the performance and the market context in which the company and industry is operating.

Objectives

Providing information on a company's aims is supported by investors as it builds credibility and can help create alignment and understanding of incentives, provided that they do not encourage management to short-term targets. Ranges or longer-term objectives are well received where specific numbers might prove commercially sensitive or difficult to determine.

"Targets should be determined by strategy, not the other way around" **– Investor**

Overview of company perspective

Performance and position

Companies seek to explain why metrics are used and increasingly present metrics with an explanation of performance. However, providing specific targets can be challenging and commercially sensitive. Some reporting is not as explicit about the drivers of performance, or the market context and what this means for the future, as it could be.

Objectives

Many companies seek to provide indications of what they are trying to achieve, taking care not to set targets that drive short-term behaviour. Companies note that they often disclose targets retrospectively, especially in relation to remuneration outcomes, but that forward-looking objectives can be sensitive. Companies are also concerned about disclosing ranges, although this type of disclosure is considered more achievable.

"I want to understand why that metric is used, but also what the company thinks it shows and the timescale and range of outcomes" **– Investor**

Company management and their boards should ask…

- Do we explain what performance we were expecting to achieve, what we actually achieved, and why?
- Do we explain what performance our metrics are trying to achieve in the future, and provide an understanding of our overall long-term objectives?

Lab view

Performance and position

Clear statements of performance are helpful. LandSec (page 13) clearly shows, in a red-amber-green format, how it has performed against its KPIs and also provides an industry comparison and rolling three year figure, which can be helpful in understanding the wider market context.

Explanations of the wider market context and its impact can be helpful. Ocado (page 13) provides an overview, quoting third party data, which is then linked back to 'what this means for Ocado'. This information is included on both their website and in the Annual Report and Accounts.

Objectives

Where companies feel that they cannot disclose specific targets they may be able to provide ranges and longer-term targets. Halma (page 14) shows one way in which targets may be disclosed by providing a minimum targeted threshold. AngloAmerican (page 14) also shows targets and provides information about progress towards them.

"Context is important if trying to understand culture, as the interesting facets and related metrics to understand culture are most helpful over time" **– Investor**

Three year total shareholder return (TSR) (%)

Chart 1

How we measure it

Three year TSR performance compared to the TSR performance of a comparator group (weighted by market capitalisation) of property companies within the FTSE 350 Real Estate Index

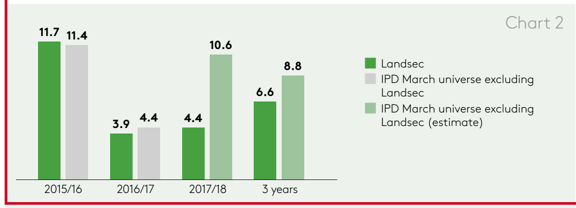
Our progress in 2018

Not achieved

TSR of -18.3% for the three year period from April 2015 did not exceed our comparator group at -0.5%

Three year total property return (TPR) (%)

Chart 2



How we measure it

Three year TPR performance compared to all March valued properties within IPD (excluding Landsec)

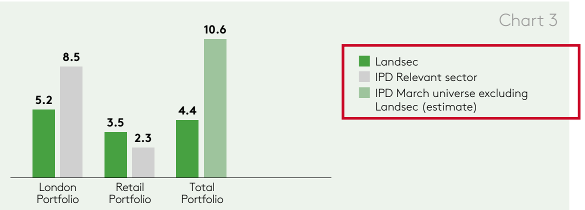
Our progress in 2018

Not achieved

TPR of 6.6% per annum for the three year period from April 2015 did not exceed the estimated IPD benchmark at 8.8% per annum

One year total property return (TPR) (%)

Chart 3



How we measure it

One year TPR compared to all March valued properties within IPD (excluding Landsec)

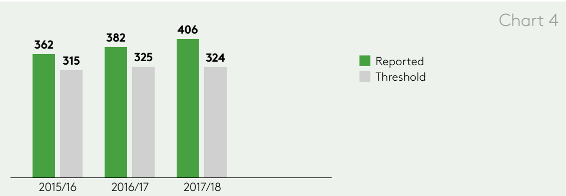
Our progress in 2018

Not achieved

One year TPR of 4.4% was below the estimated IPD benchmark of 10.6%

Revenue profit (£m)

Chart 4



How we measure it

Revenue profit adjusted for one-off items compared to an internal minimum threshold which is re-set every three years

Our progress in 2018

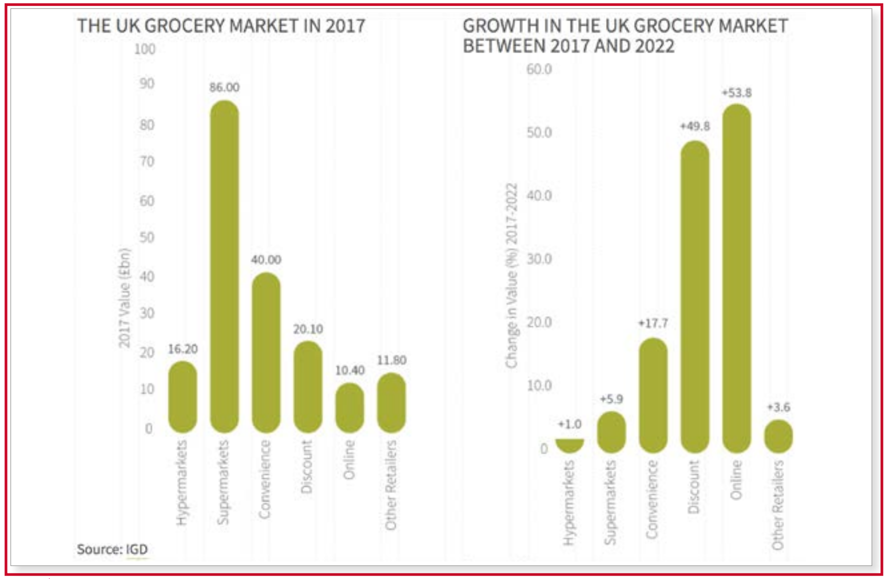
Achieved

Revenue profit, adjusted to remove the re-financing benefit, was above the internal threshold for 2017/18 set in April 2015, amended for the return of capital

What is useful?

This example notes where the desired progress has not been achieved, with an understandable Red-Amber-Green representation of performance. Industry standard/comparator information is also provided, which gives an indication of the wider context of the industry.

Land Securities Group plc, *Annual Report 2018, page 20*



What is useful?

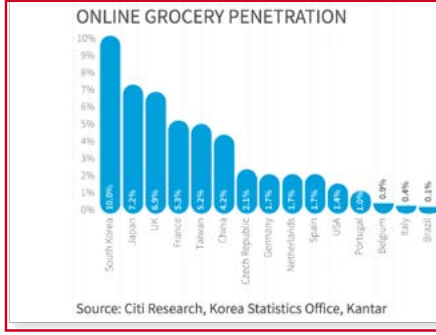
Overview of market conditions referencing third party sources, with a link back to outcomes for Ocado.

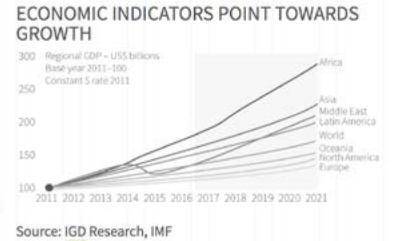
Ocado Group plc, *Extracts from webpage for Annual Report and Accounts 2017, Ocado within the marketplace*

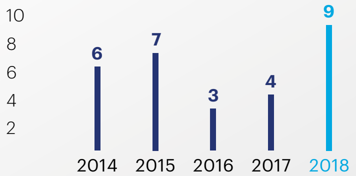
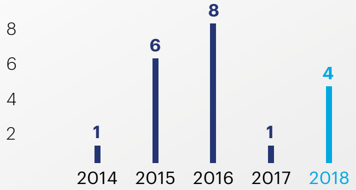
WHAT THIS MEANS FOR OCADO

Our Solutions team aims to leverage our industryleading capabilities within online grocery to capitalise on opportunities arising from the ongoing channel shift across the world.

Through our years of experience within grocery e-commerce we have developed modular, scalable and customisable solutions to meet retailer's e-commerce needs. Utilising our flagship product, the Ocado Smart Platform, we believe we can help grocery retailers globally launch and develop industry leading online propositions to their customers, further accelerating channel shift.





Key performance indicator	Comment	2019 target
Organic profit growth (%) (constant currency)  9% performance ≥5% target	Organic profit growth at constant currency was strong and ahead of our target. There were strong performances in Environmental & Analysis, Process Safety and Infrastructure Safety, with growth in Medical in the second half of the year.	The Board has established a long-term organic growth target of at least 5% per annum, slightly above the blended long-term average growth rate of our markets.
Acquisition profit growth (%)  4% performance ≥5% target	Acquisition profit was just below our target of 5% for the year, with five acquisitions completed. We have maintained a healthy pipeline of opportunities into the new financial year.	Acquisitions must meet our demanding criteria and we continue to have a strong pipeline of opportunities to meet our minimum 5% growth target.

What is useful?

Example of presentation of targets, five years of results and link to remuneration.

***Halma plc**, Annual Report and Accounts 2018, pages 48 and 49*

What is useful?

Targets are shown, with representation of three year performance and a link to full description and calculation methodology.

***Anglo American plc**, Annual Report 2017, pages 34 and 35*

PILLARS OF VALUE	STRATEGIC ELEMENT	KEY PERFORMANCE INDICATORS (KPIs)	
Safety and Health	**B** Innovation **C** People	**Work-related fatal injuries[1]**	Target: Zero harm
		Total recordable case frequency rate (TRCFR)[1]	Target: 15% year-on-year reduction
		New cases of occupational disease (NCOD)[1]	Target: Year-on-year reduction
Environment	**B** Innovation	**Energy consumption[1]**	Target: 8% saving by 2020
		Greenhouse gas (GHG) emissions[1]	Target: 22% saving by 2020
		Total water withdrawals[1]	Target: 14% saving by 2020
		Level 3-5 environmental incidents[1]	Target: Year-on-year reduction

For full description and calculation methodology **See pages 192-193**	2015	2016	2017
Number of work-related fatal injuries	6	11	**9**
TRCFR	0.93	0.71	**0.63**
NCOD	159	111	**96**
Measured in million gigajoules (GJ)	106	106	**97**
Measured in million tonnes of CO_2 equivalent emissions	18.3	17.9	**18.0**
Measured in million m^3	339	296	**306**
Number of level 3-5 environmental incidents	6	4	**2**

Principle Four: Reliable

Introduction

Reliability relates to trustworthiness and credibility. It is about understanding which metrics are used, how they are put together and who has oversight over the process. Understanding how reliable a metric might be is central to an investor's view of how much reliance to place on it.

Overview of investor views

Governance and oversight

Investors consider reliability of information to be very important and they generally trust the information being disclosed because they understand that companies do not take their public reporting lightly.

Investors seek to understand the process of developing, monitoring and reporting metrics. Where companies make disclosures about the governance over the reported metrics, investors are more likely to take the information at 'face value'. Investors expect audit committees to ask whether the metrics are appropriate, and reflect appropriate adjustments, rather than just whether they are reported appropriately. Investors also expect audit committees to gather external auditors' views as to whether they consider the adjustments to be appropriate, for example with reference to how aggressive or conservative the metrics are in relation to others in the sector.

There are differing views about any potential expansion of the scope of external audit, with some supportive and others more wary that further assurance may inhibit innovation. Investors feel that information may be useful even where it is not audited.

Other sources

Third party or external information is often a useful point of comparison, and can add a level of credibility to the reported metric. Understanding the boundaries and limitations of this third party data is important to ensure its credibility.

"I use company reporting for information, but third party information for 'colour'" – **Investor**

Overview of company perspective

Governance and oversight

Companies take their reporting responsibilities seriously, and go through significant governance and oversight processes before publication. Anything reported externally is subject to rigorous review across a number of different functions and levels. However, this scrutiny may not always be reported, nor whether it has been subject to specific assurance processes, which could range from high level review to internal governance and verification processes to internal and external assurance and audit review.

Companies highlight a range of approaches to involving the auditors in the Audit Committee's oversight process, with some acknowledging that where they seek such a view, this is not yet disclosed. Companies suggest caution when considering any extension of assurance requirements, as it could result in less disclosure of wider information which is not within the current external audit scope.

Some companies feel that strong oversight processes over externally reported information could prevent them from reporting other information that could potentially be of use to investors.

Other sources

In relation to providing wider metrics, some companies raise concerns about the level of oversight, and note that management and boards are not comfortable disclosing information over which controls may not be as stringent. Some companies have chosen to reference third party information, alongside internally generated metrics, which can overcome some of these concerns.

Lab view

Governance and oversight

Reliability is a key attribute of disclosure. However, just because information is not audited does not mean it is not of interest. Information important to the board and management should be reported. An understanding of the levels of scrutiny to which metrics have been subjected can provide useful information, as there are many levels of oversight and assurance between audited and unaudited information. Diageo's reporting (page 16) provides an example of how a company has tried to address the challenge of reliability. RBS' Basis of Reporting (page 16) provides information on the different levels of scrutiny to which the metrics have been subjected.

Other sources

Even though it may already be sourced by investors, the juxtaposition of internal data with external data can be useful in developing credibility and reliability, and help companies overcome some of the challenges of explaining the reliability of individual metrics. Rentokil (page 16), for example, discloses employee engagement scores alongside relevant metrics from Glassdoor.

Company management and their boards should ask…

- Do we provide an overview of how our metrics have been developed and monitored to allow investors to assess their reliability?
- Do we explain the level of scrutiny to which metrics are subject to allow an assessment of whether they are fair, balanced and understandable? Do we outline the Audit Committee's (or other Executive or non-Executive Committee) oversight and whether they consider the appropriateness of specific metrics or adjustments in addition to the way in which the metrics are reported? Do we explain what additional scrutiny may be given to adjusted metrics being used in remuneration?
- Is the boundary of each metric clear (for example, the timeframe, parts of business covered etc)?

(iii) Includes recommended final dividend of 40.4p.
(iv) Per 1,000 full-time employees.
(v) Data for the year ended 30 June 2017 has been restated in accordance with Diageo's environmental reporting methodologies.
Δ Within PwC's independent limited assurance scope. For further detail and the reporting methodologies, see our Sustainability & Responsibility Performance Addendum 2018.

Non-financial

Alcohol in society

2018	225
2017	264

Number of responsible drinking programmes

Health and safety

2018	1.00Δ
2017	1.14

Lost time accident frequency(iv)

Water efficiency(v)

2018	4.94l/lΔ
2017	4.98l/l

What is useful?

Disclosure of 'independent limited assurance' reference on the financial highlights page of the Annual Report and Accounts.

***Diageo plc**, Annual Report 2018, highlights page*

Highly rated workplace culture

Sustained improvements have led to the Company being rated 8th out of 700,000 companies on Glassdoor for Workplace Culture, with an overall score of 4.3 out of 5 (as at December 2017). Increased internal levels of engagement are translating into a strong external reputation as a 'Great Place to Work'.

87% Recommend to a friend

97% CEO approval

4.3/5 Glassdoor overall rating

High performing colleague engagement

Our 2017 Your Voice Counts (YVC) survey scores on colleague engagement and enablement have risen by four points since 2015 and are now in the world-class 'High Performing (HP)' territory for the first time. Other HP areas include 'colleague motivation', 'the Company is open to new ideas', 'training and development', 'my job makes good use of my skills' and 'the Company is innovative' (which scores some 13% points above the HP norm).

What is useful?

Presentation of external sources alongside internal information sources, plus presentation of 'colleague' metrics as KPIs.

***Rentokil Initial plc**, Annual Report 2017, page 6*

What is useful?

RBS publishes a Basis of Reporting document covering ten specific KPIs over which it gets further assurance. This document outlines the method, quality and reporting frequency of specific sustainability metrics being disclosed as key performance indicators.

***The Royal Bank of Scotland plc**, Basis of Reporting 2017, page 1*

KPI	KPI Description	Scope/ Exclusions	Unit of reporting	Method	Data quality	Reporting frequency
KPI2. # Number of people supported through enterprise programmes Strategic report wording: In 2017 we supported over 3,830 people through our enterprise programmes.	Number of people that have gone through the following Enterprise related programmes: the Entrepreneurial Spark, The Prince's Trust or benefited from an enterprise related grant from the Skills & Opportunities Fund	Data relates to period 1 Jan to 31 Dec 2017 Report is based on the numbers of people who have attended or directly benefited from the individual enterprise related programmes we manage or fund. It includes Entrepreneurial Spark programme, Prince's Trust and Skills and	Number of individuals	Data is taken from the Entrepreneurial Hubs; The Prince's Trust and Project North East (the agency that manages the Skills & Opportunities Fund).	The data is independently collated, verified and reported by our supplier or managing agency: the Entrepreneurial Spark management team; The Prince's Trust Enterprise team and Project North East. EY has provided independent assurance on the data	All the data is reported on a quarterly basis

Principle Five: Consistent

Introduction

Consistent metrics and messaging builds credibility over time. Comparisons with industry benchmarks or standards can allow assessment against a consistent base and help companies present their performance in context.

Overview of investor views

Definitions, presentation and track record

Consistency of information is very important to investors. This could relate to consistent definitions over time; presentation of information across reporting formats; or the disclosure of a track record. Where metrics have been changed, there should be a clear explanation as to why.

Comparability

There are differing views from investors about the importance of comparability and the desire for standardisation. Whilst most investors believe that companies should disclose the metrics used and monitored internally, some feel that there should be much more standardisation to enable greater comparison. This view is usually supported by investors that are developing or using sector benchmarks or forecasts, or explicitly comparing one company to the next. Where there is support from investors for more comparability this is often at a sector or business model level. Some also support standardisation as they feel it solves the problem of 'shifting definitions' of non-GAAP measures.

"I don't want anything new in the investor presentation that I cannot derive from the Annual Report. If there was, it would imply a lack of coherence between management and board and would change my view of the reliability of the KPIs" **– Investor**

Overview of company perspective

Definitions, presentation and track record

Companies seek to make amendments to their metrics clear and transparent. However, they state that alignment of metrics to strategy means they rarely change. In our discussions, it became clear that some investors and companies hold different concepts of what constitutes a change to a metric, with investors tending to view any change as important, whereas by contrast, companies may see them as small 'definitional' changes.

Comparability

The desire for standardisation raises a tension for companies that are seeking to tell their story. Many companies assess other companies' metrics, sometimes conducting an assessment across their industry, but the desire to report internal metrics can lead them away from standardisation. Companies note that certain sectors lend themselves more easily to standardisation and comparison. Some believe that in their industry unique metrics are more relevant.

"I view consistency year-on-year as most important. I'm not sold on industry-standard metrics, but some benchmarking can be a good discipline" **– Investor**

"There can be issues with our benchmark references, as they don't always align with our own experience of the market" **– Company**

Lab view

Definitions, presentation and track record

There may be different audiences for different reporting formats, such as annual reports, sustainability reports and investor presentations, which can be a challenge for companies. Investors expect consistency of messages. Derwent (page 18) shows how the same information may be presented differently for different audiences. Tesco (page 19) displays how consistent information may be reinforced across reporting formats.

Comparability

Some companies have responded to the challenge of comparability by providing references to benchmarks or industry standards. Well-set industry standards are not likely to be inconsistent with a company's own areas of value. Derwent (page 20), for example, provides a three and five-year return on metrics against an industry benchmark. GPE (page 20) also provides an industry benchmark and five-year track record. At a basic level, both companies and investors agree that greater transparency, for example around non-GAAP reconciliations to GAAP numbers, would at least allow investors to make some of their own comparisons across companies.

"I'm keen on standardisation – it may solve issues with shifting definitions and give a grounding for companies to then work away from" **– Investor**

Company management and their boards should ask…

- Are our metrics consistent year-on-year? If our metrics have changed, do we provide a clear explanation as to why the change has been made and why the new metric is better? Do we provide comparatives for a number of years?
- Are our metrics calculated consistently every year? If they are not, do we provide an explanation for any change, and an outline of the impact of the change?
- Are the same metrics reported consistently across the investor presentation, preliminary announcement, annual report, press releases and other documents?
- Is a track record of our performance provided, preferably over five years?
- Are our metrics consistent with an industry standard or our close competitors? If not, do we explain why our metrics are more appropriate?

What is useful?

Metrics highlighted in the Annual Report and Accounts that is consistent with the information in the investor presentation, even if presented in a different way.

***Derwent London plc**, Report and Accounts 2017, page 65 and Annual Results 2017 presentation, slide 9*

Net asset value

Though underlying values for the main part of our portfolio were fairly flat in 2017, recent development projects such as White Collar Factory provided strong valuation uplifts and, as a result, the Group's net asset value grew by almost 5% during the year. Adding back the 108p per share of dividends paid in 2017, including last year's 52p special dividend, the total return for the year calculated on an EPRA basis was 7.7%. This compares with the 1.7% total return in 2016 when the result of the EU referendum was still reverberating.

The Group's IFRS net asset value was £4.2bn at 31 December 2017 against just under £4.0bn in 2016 and EPRA NAV per share on a diluted basis increased to 3,716p per share, up 4.6% from 3,551p a year earlier. The main movements in EPRA NAV per share during the year are summarised below compared with 2016:

	2017 p	2016 p
Revaluation movement	**138**	(38)
Profit on disposals	**45**	7
EPRA earnings	**94**	77
Interim and final dividend	**(56)**	(44)
Special dividend	**(52)**	–
Interest rate swap termination costs	**(7)**	(8)
Dilutive effect of convertible bonds	**–**	17
Non-controlling interest	**–**	7
Other	**3**	(2)
	165	16

The uplift in our property valuation through 2017 together with the strong profit booked on property disposals added a combined 183p per share to our net asset value; this compares with a deficit of 31p per share for the same items in 2016. Of the 138p per share revaluation uplift, 77p per share came from The White Chapel Building, White Collar Factory and 80 Charlotte Street alone while another 22p was gained at Angel Building partly due to the Expedia re-gear. In total, the revaluation gain for the year was £150.7m of which £1.0m was a partial reversal of the 2016 write-down in respect of properties held as trading stock and £1.8m came from our new offices at 25 Savile Row; the balance of £147.9m related to the investment property portfolio.

Including £14.8m of letting and legal fees being amortised over their respective lease terms, accrued income from the 'straight-lining' of rental income under IAS 17 and SIC-15 was £120.6m at 31 December 2017 (2016: £116.9m). Although the balance increased during the year as we recognised income in advance of cash receipts and incurred letting and legal fees, it also fell by £19.2m due to the property disposals.

EPRA NAV MOVEMENT

- Revaluation surplus:

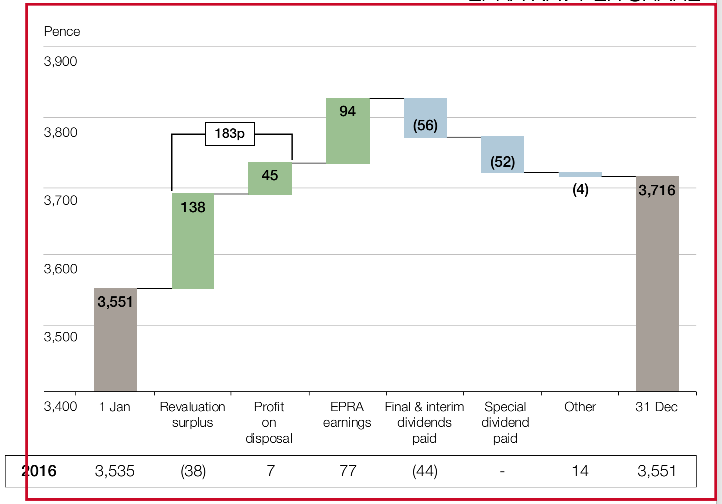
Investment properties	£147.9m	
Owner-occupied property	£1.8m	
Trading property adjustment[1]	£1.0m	
Share of JV revaluation surplus	£3.9m	
	£154.6m	**138p**

- Included in the revaluation surplus of 138p:
  - 77p added by White Collar Factory, 80 Charlotte Street and The White Chapel Building
  - 22p from Angel Building

- Profit on disposal:

The Copyright Building	£24.9m	**22p**
132-142 Hampstead Road	£14.6m	
Riverwalk House overage	£5.0m	
8 Fitzroy Street	£4.7m	
Other	£1.1m	
	£50.3m	**45p**

EPRA NAV PER SHARE



1. A differentiated brand

A strong and differentiated brand creates long-term value for every stakeholder in our business. Our purpose, to serve shoppers a little better every day, is at the heart of what our brand stands for.

Over the last year, we have continued to build trust, and have seen a 5 point improvement in customer recommendations of our brand.

We continue to focus on products and services which make the Tesco offer unique, and this year we have relaunched our core and *finest** food ranges, as well as introducing new brands which are exclusive to Tesco, such as our Hearty Food Co. ready meals, and our Fox & Ivy homeware.

Food quality is a particularly powerful driver of supermarket choice, so strengthening customer perceptions of our food is a priority. Our Food Love Stories campaign has continued this year, celebrating the food our customers love to make, for the people they love – and helping increase customer perceptions of quality at Tesco, up 2.7 points year-on-year.

But the way customers feel about our brand is defined by more than just our products: it's also about how we respond to the issues that matter to them, from healthy eating to reducing plastic packaging – and the value that Tesco creates for society.

In May 2017, we held our first ever health month for colleagues and customers, including helpful 'little swaps' with products that are lower in saturated fat, salt and sugar, and recorded our highest ever score for customers saying that Tesco helps them lead healthier lives.

2. Reduce operating costs by £1.5bn

We continue to simplify our business and reduce costs, with in-year savings of £594m – and £820m of savings to date towards our £1.5bn ambition.

We have reviewed every aspect of our operation to identify opportunities for savings – with a particular focus on our store operating model, where we have delivered £541m of savings; logistics and distribution, with £104m of savings; and goods not for resale, where we have made savings of £174m.

We continue to encourage a cost-conscious culture, finding savings so that we can reinvest for the benefit of customers.

We have also simplified the shopping experience for customers, at the same time as reducing costs, for example by increasing availability of our Scan As You Shop self-scan handsets – now in over 500 UK stores and beginning to roll out in Central Europe – and making till rece
in our smaller stores, which has gener
of around £3m.

We have also made strong progress i
the costs of procuring goods and se
for resale, finding synergies across t
In particular, we have improved our
facilities management, freight and me
while also delivering savings of £50m

3. Generate £9bn cash from operations

Our focus on free cash generation continues, and Retail cash generated from operations increased by £495m to £2,773m this year, driven by improved profitability and strong working capital management.

One example of our work is in reducing stockholding, by improving the way we receive deliveries from our suppliers.

To minimise our environmental impact, and reduce transport costs, we order full trucks of products from suppliers whenever we can – which sometimes means 'rounding up' an order.

However, by analysing our orders forensically, we have been able to sort stock between trucks and identify where we can eliminate a truck. This removes unnecessary journeys for our suppliers, and allows us to take out unnecessary 'rounded' stock.

What is useful?

Strategic drivers presented in the annual report and presented under the same headings as an update in the investor presentation.

***Tesco PLC**, Annual Report and Financial Statements 2018, page 8 and Interim Results 2018/19 'Serving shoppers a little better every day', 3 October 2018*

Our six strategic drivers – a progress update

1. A differentiated brand	• Quality perception up +3.6, stable value perception
2. Reduce operating costs by £1.5bn	• Further cost savings of £241m achieved in 1H • Cumulative cost savings of £1.1bn
3. Generate £9bn cash from operations	• £7.2bn cumulative retail cash generated from operations[1]
4. Max the mix to achieve 3.5% - 4.0% Group margin	• Group margin up 29bps to 2.94% • Tesco Direct closed on 9 July
5. Maximise value from property	• Released a further £134m value from property • One further store buyback announced in September
6. Innovation	• 5,038 of 10,000 Own Brand products re-launched • Introduced 'Clubcard faster vouchers'

1. Cumulative retail cash generated from operations excludes pension deficit payments, cash outflows relating to SFO fine and shareholder compensation scheme payments and cash payments in lieu of colleague bonus shares.

TESCO

Key performance indicators

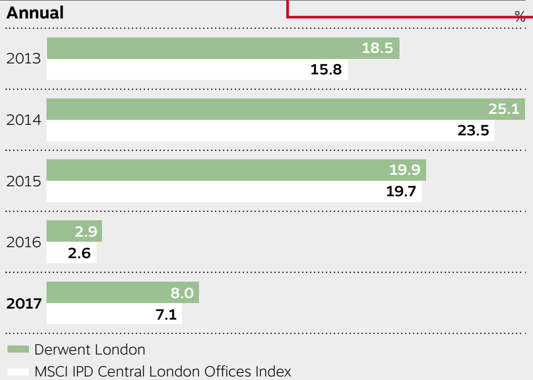
Total property return

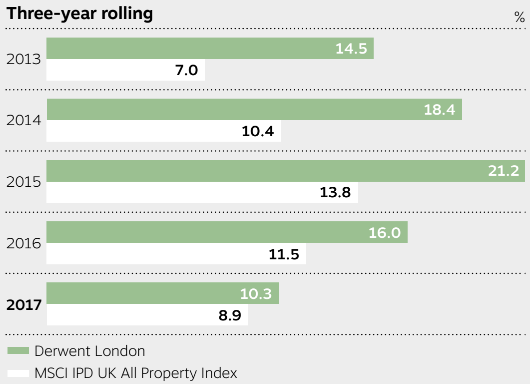
1, 2, 3, 4, 5 R

Total property return is used to assess progress against our property-focused strategic objectives. We aim to exceed the MSCI IPD Central London Offices Index on an annual basis and the MSCI IPD UK All Property Index on a three-year rolling basis.

Our performance

Successful asset management and progress made de-risking our developments, illustrated by a record year of lettings, contributed to us exceeding both of our MSCI IPD benchmarks again in 2017. Our outperformance over each of the past five years means we have exceeded the MSCI IPD Central London Offices Index and the MSCI IPD UK All Property Index over that period by 9% and 29%, respectively.





Key

Strategic objectives

1 To optimise returns and create value from a balanced portfolio
2 To grow recurring earnings and cash flow
3 To attract, retain and develop talented employees
4 To design, deliver and operate our buildings responsibly
5 To maintain strong and flexible financing

Other

R Remuneration

[1] Measured against relevant internal and external benchmarks
[2] Other key performance measurements

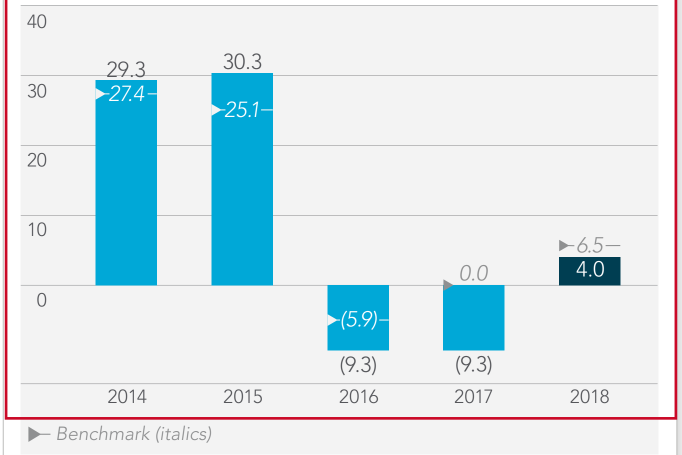
What is useful?

Five year records, including three-year rolling return, performance displayed against an industry standard, with links to strategy and remuneration.

***Derwent London plc**, Report and Accounts 2017, page 30*

KPIs

Total Shareholder Return % (TSR)



Rationale

TSR is a standard measure of shareholder value creation over time. It measures the movement in a company's share price plus dividends expressed as an annual percentage movement.

Commentary

TSR of the Group is benchmarked against the TSR of the FTSE 350 Real Estate index (excluding agencies).

The TSR of the Group was 4.0% for the year compared to 6.5% for the benchmark following a continued under-performance of the share prices of London-focused office property companies relative to the benchmark index. This was due, in part, to adverse market sentiment resulting from the EU referendum.

Alignment with remuneration

Performance criteria for Executive Directors' and certain senior managers' long-term incentives.

See more on page 113

What is useful?

Benchmarks are presented, including the relative position of performance. Five years' worth of data, including the relevant benchmarks in each year, allow an understanding of ongoing performance and the industry context, with links to remuneration also included.

***Great Portland Estates plc**, Annual Report 2018, page 26*

Appendices

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Appendix One: Performance Metrics – an investor perspective

(One page overview of Principles and Questions for companies as published in the June 2018 Report)

Performance metrics – an investor perspective GAAP Non-GAAP Wider metrics

Principles	Investors seek disclosure…	Company management and their boards should ask…
Aligned to strategy	• Of metrics that provide insight into the company's business model, strategy and competitive advantage and measure its success • Of metrics that demonstrate how the company creates long-term value • Of the metrics used internally to make business decisions and to manage, monitor and incentivise the achievement of the business strategy	• Do our metrics clearly link to our company's strategy and value drivers? Have we addressed all relevant financial and wider metrics? • Are we reporting the metrics that are being monitored and managed internally? • Is there a clear link between the metrics that drive our business model and strategy, and our remuneration policy?
Transparent	• That provides transparency on how metrics are calculated and defined to help investors make their own assessments, with clear reconciliations from GAAP to non-GAAP metrics • That gives a clear explanation of why metrics have been used and, in the case of non-GAAP metrics, why management think these are a more faithful representation of the value that has been generated by the company's business model than the GAAP metrics	• Is it clear to investors why we use these metrics and what performance they are trying to represent? • Are we transparent about the way in which our metrics are calculated and defined? • Where we report non-GAAP metrics, do we explain why and how they more appropriately represent our business model and strategy? Where we make adjustments to exclude cost items do we also exclude the related gains? Do we explain why we have made specific adjustments, at least at a material level?
In Context	• That shows how a company has performed, with explanations where this is different from what it was trying to achieve, either good or bad • That explains the company's position, for example, its balance sheet strength, liquidity and market position • That gives an indication of the company's prospects within the context of the market and market changes. Longer-term objectives are often preferable	• Do we explain what performance we were expecting to achieve, what we actually achieved, and why? • Do we explain what performance our metrics are trying to achieve in the future, and provide an understanding of our overall long-term objectives?
Reliable	• That provides information to help investors gain confidence on the process of developing, monitoring and reporting reliable metrics, and whether there are appropriate controls in place • That provides clarity over the level of scrutiny that metrics are subject to (including Board, Audit Committee, internal and external assurance processes) and the boundary of the information	• Do we provide an overview of how our metrics have been developed and monitored to allow investors to assess their reliability? • Do we explain the level of scrutiny to which metrics are subject to allow an assessment of whether they are fair, balanced and understandable? Do we outline the Audit Committee's (or other Executive or non-Executive Committee) oversight and whether they consider the appropriateness of specific metrics or adjustments in addition to the way in which the metrics are reported? Do we explain what additional scrutiny may be given to adjusted metrics used in remuneration? • Is the boundary of each metric clear (for example, the timeframe, parts of business covered etc)?
Consistent	• Of metrics that are calculated consistently year-on-year and also presented consistently across reporting formats (annual report, investor presentation, sustainability reports, press releases etc) • That provides a track record, preferably over five years • That provides enough detail to allow effective comparisons of similar companies, either at a business model or sector level	• Are our metrics consistent year-on-year? If our metrics have changed, do we provide a clear explanation as to why the change has been made and why the new metric is better? Do we provide comparatives for a number of years? • Are our metrics calculated consistently every year? If they are not, do we provide an explanation for any change, and an outline of the impact of the change? • Are the same metrics reported consistently across the investor presentation, preliminary announcement, annual report, press releases and other documents? • Is a track record of our performance provided, preferably over five years? • Are our metrics consistent with an industry standard or our close competitors? If not, do we explain why our metrics are more appropriate?

Appendix Two: Performance Metrics Terminology

PERFORMANCE METRICS

Broad term to cover all performance metrics, both financial and wider metrics

FINANCIAL METRICS

GAAP

Numbers that are prepared in accordance with GAAP (e.g. IFRS or US GAAP). These are presented in the financial statements.

NON-GAAP

A range of financial measures which incorporate financial information but are not the same as those measured under GAAP. This includes metrics derived from GAAP numbers but not defined in GAAP (eg EBITDA), derived by adjusting GAAP numbers (eg adjusted operating profit or underlying diluted EPS), mixing a GAAP number with another number (eg same-store-sales or revenue-per-customer) or based on a different measurement basis (eg risk adjusted return on equity).

WIDER METRICS

Expressed in non-monetary units, for example, employee engagement results, brand awareness/customer satisfaction scores, market share and environmental measures.

STANDARDISED

From a standardised reporting framework.

COMPANY SPECIFIC

Developed by the company.

KEY PERFORMANCE INDICATORS

Quantitative measures used by directors to assess progress against objectives or strategy, track principal risks, or otherwise monitor the development, performance or position of the business. KPIs could include GAAP numbers, non-GAAP financial metrics or wider metrics

There are a number of different definitions for the types of metrics presented by a company and used by an investor. There is no correct way to define a number of these items, as they can vary between companies and investors, and even within those organisations.

The Lab used its own categorisation and the figure to the left outlines the terminology used throughout the performance metrics project and this document.

Appendix Three: Regulatory And Market Initiatives

European Securities and Markets Authority ('ESMA') Guidelines

In October 2015 ESMA published its Guidelines on Alternative Performance Measures ('the Guidelines'). The Guidelines outline a number of presentational and disclosure recommendations, including in relation to:

- Presentation;
- Reconciliations;
- Explanation on the use of APMs;
- Prominence and presentation of APMs;
- Comparatives;
- Consistency; and
- Compliance by reference.

Financial Reporting Council ('FRC')

Following the release of ESMA's guidelines, the FRC released a set of Frequently Asked Questions and conducted two thematic reviews in 2016 and 2017 into the use of alternative performance measures (APMs), which considered the extent to which companies were applying the guidelines. APMs also formed a key part of the FRC's 2018 thematic on reporting by smaller listed and AIM quoted companies.

The FRC continues to challenge companies in respect of the following:

- undue prominence given to APMs, such as alternative measures of profit, over the equivalent IFRS measures;
- unclear, cursory or boilerplate explanations, or a simple statement that adjusted measures are superior to the equivalent IFRS;
- items excluded from 'underlying' profit when their inclusion would appear to be warranted as part of normal trading;
- unclear reconciliations to relevant IFRS numbers – including ratios such as return on capital and cash conversion;
- inappropriate labelling of 'recurring' items as 'non-recurring';
- costs of multi-year restructuring programmes that are charged in successive years without reporting on overall progress; and
- adjustments that appear inconsistent with the stated accounting policy.

FRC's Guidance on the Strategic Report

The FRC's Guidance on the Strategic Report ('Guidance') was recently updated to reflect the introduction of the European Union's Directive on disclosure of non-financial and diversity information (NFRD), as well as encouraging better reporting on how directors have fulfilled their section 172 duty. The 2018 Guidance provides that:

- "The terms 'key' (e.g. as used in the term 'key performance indicators' (KPIs)) and 'principal' (e.g. as used in the term 'principal risks and uncertainties') refer to facts or circumstances that are (or should be) considered material to an understanding of the development, performance, position or future prospects of the business. These will generally be the performance measures or risks considered by the board."
- "An entity will usually have a number of formal objectives that it intends to achieve in pursuit of its purpose. The entity will also have developed a strategy that describes the means by which it intends to achieve those objectives. Objectives can be financial or non- financial in nature and may be expressed in quantitative or qualitative terms."
- "The entity should provide information that enables shareholders to understand each KPI used in the strategic report. For example, the following information should be identified and explained where relevant: (a) its definition and calculation method; (b) its purpose; (c) the source of underlying data; (d) any significant assumptions made; and (e) any changes in the calculation method used compared to previous financial years, including significant changes in the underlying accounting policies adopted in the financial statements which might affect the KPI."

Audit requirements regarding the Annual Report

In addition to the financial statements, an annual report will include different types of 'other information', some of which is required by law or regulation. The external auditor is required to consider whether there is a material inconsistency between the information companies include in the annual report and the financial statements, and between that information and the knowledge they have obtained in the course of the audit. The auditor concludes whether any identified material inconsistencies mean that the other information is materially misstated, and whether there are consequences for the auditor's report.

The FRC is carrying out a review of the work auditors do on the front half of the annual report. This review should be published by the end of 2018.

Other developments

Internationally, other regulators such as the Canadian Accounting Standards Board (AcSB) and Securities and Exchange Commission (SEC) have considered the issue of the reporting of performance. The AcSB has, for example, released for consultation a 'Draft Framework for Reporting Performance Measures: Enhancing the relevance of financial reporting', which provides a framework for the effective reporting of performance under a number of pillars, including faithful depiction, applying materiality, establishing controls and procedures and ensuring governance oversight.

Other market changes and regulation have stemmed from the EU, including the European Union's Non-Financial Reporting Directive and the European Commission's Action Plan on Sustainable Finance. Market reporting frameworks such as the Task Force on Climate-Related Financial Disclosures ('TCFD') have also been encouraging companies to report in new ways on their wider metrics.

Appendix Four: Participants And Process

Participants join projects by responding to a public call or being approached by the Lab. An iterative approach is taken, with additional participants sought during the project, though it is not intended that the participants represent a statistical sample. References made to views of 'companies' and 'investors' refer to the individuals from companies and investment organisations that participated in this project. Views do not necessarily represent those of the participants' companies or organisations.

Views were received from a range of UK and international institutional investors, analysts and retail investors in both the first and second phases of the project, and from a range of companies through FRC-led roundtables, one-to-one interviews or roundtables with other agencies.

Thank you to all of the participants for contributing their time to this project. Participants included:

Companies

- Auto Trader Group plc
- Blue Prism group plc
- Burberry Group plc
- Deltex Medical Group plc
- DS Smith plc
- FirstGroup plc
- Great Portland Estates plc
- GlaxoSmithKline plc
- Howdens Joinery Group plc
- Informa plc
- National Express Group plc
- National Grid plc
- RSA Insurance Group plc
- Smith & Nephew PLC
- Vodafone Group plc

Investors

- Aberdeen Standard Investments
- Allianz Global Investors GmbH
- Barclays
- CFA Society of the UK
- The Church Commissioners for England
- Colorado PERA
- Fidelity International
- HSBC Global Asset Management
- Independent Franchise Partners LLP
- Institutional Shareholder Services
- Invesco Asset Management Limited
- Investec Asset Management
- Kames Capital
- Legal and General Investment Management
- Martin Currie Investment Management
- Merian Global Investors
- Moody's Investors Service Limited
- RBC Global Asset Management
- Schroder Investment Management Limited
- Shore Capital
- State Street Global Advisors
- S&P Global Ratings
- The Investment Association's Company Reporting and Auditing Group
- Toscafund Asset Management Limited
- Three representatives from the UK Shareholders' Association
- WHEB

We would also like to thank the following for their contribution:

- Conran Design Group, Luminous, Superunion and Radley Yeldar, for holding roundtables at which we heard from 30 people from 26 companies.
- The Institute of Chartered Secretaries and Administrators and the Institute of Chartered Accountants of Scotland for allowing us to take part in a committee meeting and event on this topic.
- The Audit Committee Chairs who attended the Lab's roundtable.

What is the Lab?

Over the last seven years the Financial Reporting Lab ('the Lab') has sought to improve the effectiveness of corporate reporting in the UK. It does this by working with companies, investors and others on topics that matter.

Lab reports explore innovative reporting solutions that better meet the needs of companies and investors, by speaking to them about a topic and publishing reports that represent their views. Lab reports do not form new reporting requirements, but do seek to highlight best practice and thought leadership. The Lab has published reports covering a wide range of reporting topics, including:


Clear & Concise

Financial Reporting LAB

Lab project report:

Business model reporting

October 2016

FRC Financial Reporting Council


Financial Reporting LAB

Lab project report:

Risk and viability reporting

November 2017

FRC Financial Reporting Council

For more information about the difference the Lab makes to reporting watch our video:

https://youtu.be/6L9UGyaINoY

All of our published reports can be found on the FRC's website:

https://www.frc.org.uk/Lab

Follow us on Twitter @FRCnews or LinkedIn

Do you have suggestions or want to get involved?

The Lab encourages readers of this report to provide comments on its contents and get involved in upcoming Lab projects. To provide comments or get involved, please send us an email at:

FinancialReportingLab@frc.org.uk

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