Annual reporting in 2019/20: from intent to action

Observations from EY’s review of FTSE 350 narrative reporting (7th edition)

1 October 2020

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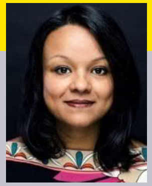
Building a better working world

Welcome and introduction

1. Share insights on how premium listed companies reported on the following in their 2019/20 annual report and accounts (ARAs):
   - First year of implementing the 2018 Code and related regulation (Miscellaneous Reporting Regulations or MRR)
   - Reporting under COVID-19
   - Moving from intent to action.
2. Ideas for enhancing your 2020/21 reporting
3. Questions and discussion



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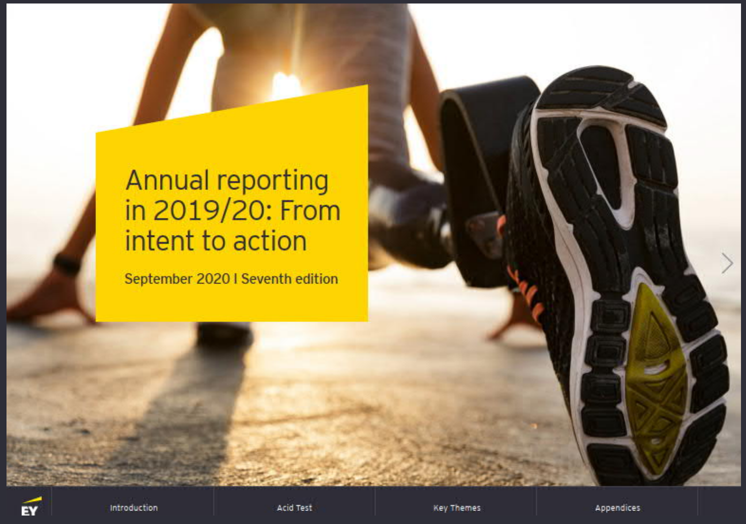
Annual reporting in 2019/20: from intent to action

- Observations covering:
  1. Meaningful reporting
  2. Purpose
  3. Culture
  4. Managing risk and viability
  5. Climate change and the UN Sustainable Development Goals
  6. Stakeholder engagement and Section 172 (s172)
  7. Workforce engagement and diversity
- Features include:
  - Acid test updated for COVID-19 considerations
  - Overview of new requirements
  - Insights on underlying governance processes and leading practice examples
  - Viewpoints from investors
  - Recommendations on how to move ‘from intent to action’



Based on a review of over 100 FTSE 350 ARAs with December 2019 to March 2020 year ends.

Setting the scene

- The ARA is a key mechanism by which investors and significant stakeholders hold directors to account
- Increasing recognition of broader stakeholder accountability, driving focus on narrative disclosure and non-financial metrics
- COVID-19 has brought stakeholder and corporate governance issues to the fore
- Changes in governance and reporting are likely to be a constant for some years to come

Trust in business relies upon an effective accountability framework

Stewardship

The safe investment of capital to create sustainable value for the long-term

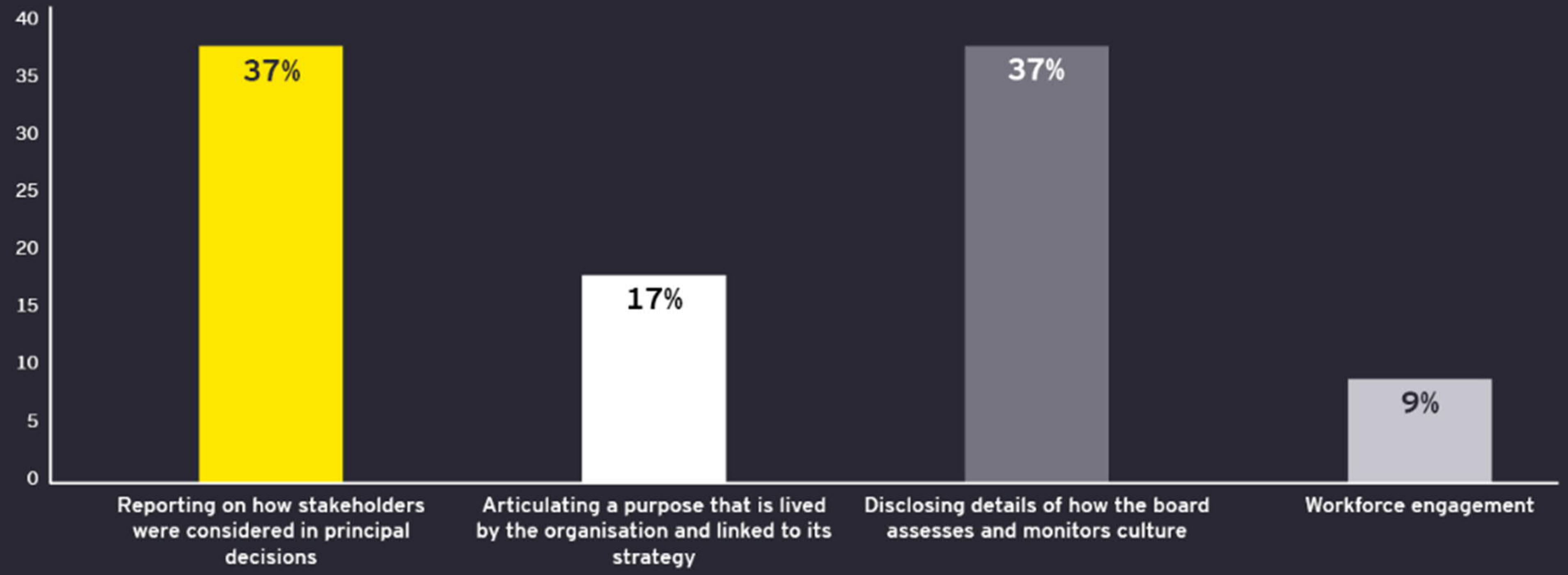
Governance

The system by which companies are directed and controlled

Reporting

Officially promoted and documented communication from companies intended to provide a comprehensive picture of their performance and position to interested external parties

Poll: Given the extent of new reporting requirements introduced by the 2018 UK Corporate Governance Code and related secondary legislation (Miscellaneous Reporting Regulations), we asked preparers what aspects of these changes presented them with the greatest challenge in their 2019/20 annual reports:



Find out more ey.com/corporategovernance #FromIntentToAction

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What do we mean by ‘intent to action’?

Meaningful reporting	▶ Shift focus of disclosures from process towards outcomes ▶ Challenge whether the ARA is fair, balanced and understandable
Purpose and culture	▶ Explain the alignment between purpose and strategy ▶ Disclose the metrics used to assess culture and the actions that need to be taken to close the identified gap
Managing risk, viability and climate change	▶ Articulate how risk management processes were changed to identify emerging risks ▶ Disclose the changes made to viability scenarios in light of COVID-19 ▶ Explain how climate change and the UN Sustainable Development Goals (SDGs) impact strategy
Stakeholder engagement and s172	▶ Explain how the board engaged with key stakeholders, on what topics and the decisions taken in response to feedback received ▶ Set out the principal decisions and explain how s172 matters were considered in making them
Workforce engagement and diversity	▶ Discuss feedback received from the workforce and how it is considered in the boardroom ▶ Set targets for gender and ethnicity representation at Board and leadership level and disclose the mechanisms in place to achieve these

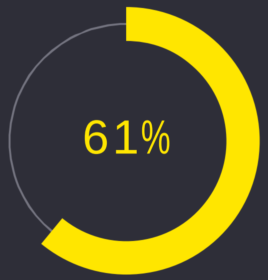
Annual reporting in 2019/20: From intent to action

Meaningful reporting

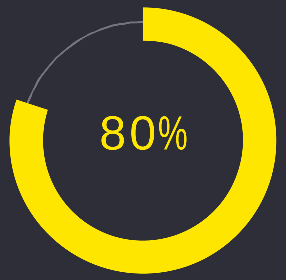
Meaningful reporting

Overall findings

- 2018 Code and MRR have led to improvements in reporting – particularly KPIs
- Areas of Code non-compliance relate primarily to new 2018 Code Provisions, but compliance is still (surprisingly) high
- There is little evidence of how companies applied the Principles of the Code



Comply with every Provision of the 2018 Code.



Comply with all but one Provision.

COVID-19 considerations

Provide an open account of the impact of COVID-19 on the company:

- Was the pandemic a blind spot that the board had not considered?
- Did the pandemic manifest in a way that the board had previously discussed when modelling black swan events?

> “
> Full strict compliance has never been the aim, nor has it reflected the spirit, of the 2018 Code due to the ‘comply or explain’ approach on the Provisions. Detailed and comprehensive explanations offer the reader a greater insight into how the company operates.
>
> Annual review of the UK Corporate Governance Code,
> Financial Reporting Council (FRC), January 2020

Barclays: Innovative reporting: KPIs (2019 ARA, p18–19)

KPIs presented by stakeholder group. Wide range of internal and external financial and non-financial measures to assess performance.

Derwent London: Application of the Principles (2019 ARA, p102)

Uses the 2018 Code to structure the governance section.

Links the 2018 Code Principles to the relevant parts of the governance section.

BOARD LEADERSHIP AND COMPANY PURPOSE

Effective Board

Our Board is composed of highly skilled professionals who bring a range of skills, perspectives and corporate experience to our boardroom (see pages 98, 99 and 111). In accordance with the Code, the role of the Board is to promote the long-term sustainable success of the Company, generate value for shareholders and contribute to wider society.

On an annual basis, the Board conducts a detailed annual review of our strategy (including our purpose, and strategic objectives). This year's review took place on 21 June 2019 and included high-level exploratory discussions to challenge whether the strategy remains fit for purpose and responsive enough to our ever-changing environment.

Through its review, the Board is able to assess and identify changing or emerging risks that could impact on the Group in the short and medium term (further information on our emerging risks is on page 45). As we generate value through the core activities identified in our business model (see page 20), the flexibility of the business model is also assessed by the Board to ensure it remains 'future ready'.

Some of the key aspects discussed by the Board during its strategy discussions included:

- changes to the London office market and investment market (see pages 12 to 15);
- our development pipeline in respect to its replenishment and future potential (see pages 28 to 29);
- review of the five-year plan;
- our employees, their wellbeing and developing our talent pipeline (see pages 84 to 85);
- emerging occupier trends;
- responsibility matters including our net zero carbon emissions strategy (see pages 80 to 83); and
- investor relations and corporate communications.

Further detail on how the Principles of the 2018 Code were fulfilled with links to the Strategic Report as well as Governance Report.

2

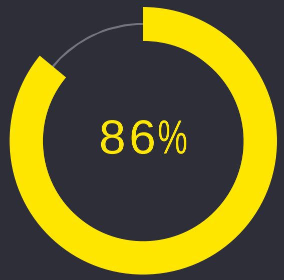
Annual reporting in 2019/20: From intent to action

Purpose and culture

Purpose and culture

Overall findings

- There’s a growing recognition of the importance of a purpose that benefits all key stakeholders
- Culture features much more prominently across ARAs. The majority of companies disclose their values but not many disclose how they monitor culture (as required)



Of companies disclose a purpose statement …
… but only a few articulate clearly how purpose links to strategy and culture.

COVID-19 considerations

- How has the stated purpose withstood the pandemic?
- How has the board adapted its culture monitoring given widespread remote working?

> “
>
> The studies find that … it is purpose that leads to profit, rather than profit allowing a company to pursue purpose.
>
> Alex Edmans,
> Professor of Finance, London Business School
> CITY A.M. interview, 27 March 2020

Anglo American plc: Purpose and KPIs (2019 ARA, p14)

Our strategy is to secure, develop and operate a portfolio of high quality and long life resource assets, from which we will deliver leading shareholder returns. We achieve this through innovative practices and technologies – in the hands of our world class people – towards our common Purpose.

OUR PURPOSE

Anglo American is re-imagining mining to improve people's lives.

Mining has a smarter, safer future.

Using more precise technologies, less energy and less water, we are reducing our physical footprint for every ounce, carat and kilogram of precious metal or mineral.

We are combining smart innovation with the utmost consideration for our people, their families, local communities, our customers, and the world at large – to better connect precious resources in the ground to all of us who need and value them.

And we are working together to develop better jobs, better education and better businesses, building brighter and healthier futures around our operations in our host countries and ultimately for billions of people around the world who depend on our products every day.

OUR STRATEGIC ELEMENTS

1

Portfolio

The quality and long life of our mineral assets are the foundation of our global business. We focus on securing and continuously improving assets that offer the most attractive long term value-creation potential, as measured by sustainable cash flow and returns.

The scale and diversity of our portfolio allow us to leverage our financial resources, technical expertise, and supplier relationships towards delivery on our full potential and to the benefit of our customers, creating a measured risk profile and supporting strong returns, through the cycle.

For more on Portfolio:
See pages 20-25

2

Innovation

Across every aspect of our business, we are thinking innovatively about how we ensure the safety of our people, enhance our sustainability performance, and deliver enduring value for all our stakeholders.

From exploration to delivering our products to our customers, FutureSmart Mining™ is our innovation-led pathway to sustainable mining. Coupled with the best-in-class operational improvements being delivered from our unique Operating Model and P101 programme, we are fundamentally changing the way we extract, process and market our products, and will provide the next step-change in operating and financial performance.

For more on Innovation:
See pages 26-35

3

People

Our people are critical to all that we do. The partnerships we build locally and globally are central to maintaining our regulatory and social licences to operate and our sustained commercial success.

We create inclusive and diverse working environments that encourage and support a high performance culture and innovative thinking.

Our Organisation Model ensures we have the right people in the right roles doing the right value-adding work at the right time, with clear accountabilities that minimise work duplication and increase capability and effectiveness.

Clear link between purpose and strategy.

Anglo American plc: Purpose and KPIs (2019 ARA, p14) (cont'd)

OUR VALUES

Anglo American's Values and behaviours are at the heart of everything we do. Guided by our Purpose and our Values we enable high performance and purposeful action.

Our Values and the way in which we, as individuals, are expected to behave are the foundation of our Code of Conduct.

2

Innovation

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For more on Innovation:
See pages 26-35

Clear link between the innovation value and the innovation aspect of the strategy.

Anglo American plc: Purpose and KPIs (2019 ARA, p50)

Pillar of Value	Strategic Element	Key Performance Indicators (KPIs)	Target
Safety and health	Innovation People	Work-related fatal injuries[1]	Zero
		Total recordable case frequency rate (TRCFR)[1]	Year-on-year reduction
		New cases of occupational disease (NCOD)[1]	Year-on-year reduction
		HIV/AIDS treatment	90% known status, 90% of HIV-positive employees enrolled in HIV disease management programme
Environment	Innovation	Energy consumption[1]	8% saving by 2020
		Greenhouse gas (GHG) emissions[1]	22% saving by 2020
		Total water withdrawals[1]	20% saving by 2020
		Level 4-5 environmental incidents[1][2]	Zero
Socio-political	Innovation	The Social Way assessment scores[1][3]	Eliminate non-compliance
People	People	Voluntary labour turnover	
		Gender diversity	
		South Africa transformation	
Production	Portfolio Innovation	Production volumes Copper equivalent production 2019 vs 2018: +1%	
Cost	Portfolio Innovation	Unit cost of production Copper equivalent unit cost 2019 vs 2018: (6)% in $ terms	
Financial	Portfolio Innovation	Attributable return on capital employed (ROCE)◊	
		Underlying earnings per share (EPS)◊	
		Attributable free cash flow◊	

KPIs are based on the seven value pillars, which are clearly mapped to the strategic elements; clear targets are set.

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Taylor Wimpey: Culture monitoring (2019 ARA, p71)

External data points are considered.

Survey data challenged and supplemented by metrics.

Clear identification of culture metrics.

Link made to compliance initiatives.

Employee survey

The Employee Survey is conducted every two years and the results for 2019, in which over two-thirds of employees participated, showed over 90% considered that:

- Their work gave them active engagement in the Group's performance and prospects.
- They understood, supported and actively promoted the Group's strategy.
- They understood, supported and actively promoted in their day to day work the key strategic direction of improved attention to customers' needs.

Glassdoor list of best places to work

The results of the Employee Survey (above) are further borne out by the annual Glassdoor list of best places to work which is an independent survey across UK businesses of employees' perception of the Company for which they work.

The 2019 list, ranking the best places to work during 2020, showed the Company had maintained its top fifty ranking for the third successive year and continued to be the highest-ranked of the major UK Housebuilding companies.

Employee retention

The Board receives an update on HR matters at each meeting.

Our employees offer one of our greatest competitive advantages and retaining their services is a key element of our strategy. Voluntary employee turnover of 12.9% is lower than for 2018 and is aligned to a strong level of engagement with the Company's strategy.

Health and safety

The Company maintains an absolute, non-negotiable commitment to maintaining a healthy and safe place of work for all stakeholders, as described elsewhere in this Annual Report on pages 15, 23 and 28. The Employee Survey described above found that 97% of employees understood their role in advancing this commitment in their day to day work.

Compliance

The Group has robust policies, regularly reviewed, concerning key governance areas including anti-bribery; anti-corruption; anti-money laundering; and anti-slavery and human trafficking. These policies are actively promoted through online training; checks for successful completion of initial and updated training and guidance; and annual sign-offs by senior management across the business.

These processes and checks are underpinned by a robust Internal Audit Department, whose work is monitored by the Audit Committee as described on pages 103-104, and an independent whistleblowing process monitored by the Board as described on page 75.

Taylor Wimpey: Culture monitoring (2019 ARA, p69)

The Company's approach is described in more detail on page 71. The Board is led in these respects by the Chair, who ensures the Board operates correctly, setting its own culture and, by extension, that of the Company in its operations and its dealings with all stakeholders. The observance of that culture throughout business operations is led by the Chief Executive with the assistance of the other Executive Directors and the Group Management Team.

During the course of 2019 and into 2020, the Board actively reviewed and monitored several key areas that it considers are important indicators of the Company culture, including health, safety and environmental matters (as set out on pages 28 and 37), customer service, land, risk strategy, and diversity and inclusivity.

The Board took a number of actions designed to address the findings of these cultural indicators:

- Initiatives commenced in response to the outcome of the 2019 Employee Survey are described on page 135.
- Actions taken in response to employee consultation are set out on page 78.
- The NEF was consulted on proposals introduced during 2019 in the areas of agile working and the revised induction process for new starters.
- The roll-out of new information technology was discussed with the NEF.
- Wider use was made of social media to inform employees.

The Board will keep all of these areas under regular review.

Clarity on initiatives to be undertaken to address findings.

3

Annual reporting in 2019/20: From intent to action

Managing risk, viability and climate change

Managing risk and viability

Overall findings

- Some companies have meaningfully explained the changes made to their risk assessment process to identify emerging risks
- Not many disclose what the emerging risks are.
- Where disclosed, environmental and technology are the most commonly identified emerging risks

"

Given the company specific nature of Covid-19, we expect companies to consider the specific resources, assets and relationships that are most under threat and the steps being taken to protect them when setting out their principal risks and uncertainties.

Covid-19 Thematic Review: Review of financial reporting effects of Covid-19, FRC, July 2020

COVID-19 considerations

- How has the board's assessment of principal risks considered COVID-19? Has this resulted in a new principal risk(s) or have existing principal risks been updated, or both?
- Has the board's risk appetite for certain principal risks reduced? If so, what additional mitigating measures are you taking?
- How have the viability scenarios from previous years changed to reflect COVID-19? Is the statement clear on the assumptions and caveats for example, around expected operational restrictions, ability to meet debt covenants or assumed duration of COVID-19 crisis, etc.?

Balfour Beatty plc: Emerging risks (2019 ARA, p75)

Emerging risks

As part of the July 2018 update to the UK Corporate Governance Code listed companies are required to identify the procedures they have in place to identify emerging risks faced by the business and an explanation of how these are being managed or mitigated.

This requirement has been adopted and embedded within the Group's risk management reporting process and, in parallel with the day-to-day management of risk, each Strategic Business Unit (SBU) and Enabling Function (EF) includes specific reference to its emerging risks in its half year and full year risk submission. These risks form part of the discussion between the Group and the SBU or EF and relevant emerging risks are escalated to the Executive Risk Steering Group for further analysis and validation.

Within Balfour Beatty, emerging risks are considered in the context of longer-term impact and shorter-term risk velocity and are viewed in context with its Viability statement. The Group has therefore defined emerging risks as those risks captured on a risk register that:

- are likely to be of significant scale beyond a three-year timeframe; or
- have the velocity to significantly increase in severity within the three-year period.

Provides a definition of emerging risks.

Clarity on how they have adopted the requirement.

Balfour Beatty plc: Emerging risks (2019 ARA, p75) (cont'd)

RISK EVENT	IMPACT	CONTROLS	TIMESCALE
Climate change Failure to adapt to climate change pressures, regulatory change (i.e. Task Force for Climate Related Financial Disclosures) and client expectations.	› Exposure to fines, defects, project delays and reputational harm amongst stakeholders. › Climate change also presents several opportunities to the Group (flood defences, improving utility infrastructure, etc).	› Climate change clauses built in to contracts, ongoing review of reporting and operational regulations and use of up-to-date weather data in project planning. › The Group is actively working with its customer base to showcase its infrastructure capabilities.	>3 YEARS
Net Zero Carbon Failure to adapt to increased social awareness and client expectations.	› Reduction in future work including including with strategic clients and within frameworks.	› The Group maintains strong relationships with its customer base to understand expectations and share potential limitations. › The Group has demonstrable capability in delivering innovative and sustainable solutions.	<3 YEARS
Uptake of new technologies Failure to embrace innovative technologies to deliver efficiencies to the Group and its customers.	› Inability to deliver better for less resulting in a loss of competitive advantage within the marketplace and an inability to secure further work.	› The Group continues to drive innovation through adoption of improved project management tools such as Field360 and is working with industry-leading external advisers to embed creative thinking. This is reinforced by the appointment of a Chief Technology Officer to lead the accelerated delivery of change and innovation.	<3 YEARS

Details the key emerging risks.

Hammerson Plc: Climate change targets (2019 ARA, p34–35)

Our Net Positive commitments

Carbon
Emissions avoided through our actions will exceed emissions generated by our business activities

Resource-use
Waste avoided, recycled or re-used will exceed materials used that are neither recycled or re-used or are sent to landfill

Water
Water replenished by external projects we support will exceed water consumed from mains supply for our business activities

Socio-economic
We will make a measurable positive impact on socio-economic issues relevant to our local communities beyond a measured baseline

Embedding sustainability within leadership and our business processes

Our progress against these targets shows we are on course to achieve our Net Positive ambitions by the end of 2030. This is made possible by successfully embedding our targets within our strategy, business model and processes and across our teams. We have clear leadership and commitment from the Board and senior leadership team which cascades through all business areas. This empowers the development, asset management and onsite teams, supported by the sustainability team, to implement initiatives that deliver meaningful and impactful change.

Net Positive 2020 – Our Destinations: Managing our opportunity

We have committed to reaching the first of the three phases of these targets by the end of 2020. **This means that from 1 January 2021, we aim to be in a position to operate with less than zero scope 1 and 2 absolute carbon emissions, water demand and resource-use on a proportionate ownership basis across our operationally managed portfolio.**

Becoming Net Positive

Becoming Net Positive means reducing our carbon emissions, water demand and resource-use to less than zero. This is the most significant contribution we can make as a business to tackle climate change. Being one of the first to make that commitment undeniably makes it more challenging to achieve as we are developing solutions that others can follow. However, it also makes it more powerful as the earlier global reductions in environmental impacts are made, the more effective they are, particularly for carbon emissions.

This is a major challenge. Our carbon footprint from the areas we control across our assets was calculated as 30,500 tCO_2e at the end of 2015. At the end of 2019 this footprint is 14,600 tonnes, a 52% decline. Additional projects with our tenants, suppliers and colleagues have reduced emissions by a further 1,661 tonnes, bringing our 2019 Net Positive carbon emissions footprint to approximately 13,000 tonnes CO_2e. In the UK and Ireland this has been supported by improvements in the carbon efficiency of the electricity grid. In France this has not been the case.

This reduction excludes the impact of our clean electricity contracts and it has been achieved through:

1. Introduction of energy efficiency initiatives across our assets. Energy intensity of the portfolio has fallen by 42% over the same period
2. Investment in onsite renewable energy generation. We now have 1.9MWp renewable electricity capacity and generated 1.1MWH clean electricity in 2019.
3. Engagement with retailers to reduce energy demand in their space within our assets. We have helped reduced retailer carbon emissions by over 800 tonnes through engagement in 2019.
4. Engagement with our supply chain to reduce embodied carbon in our developments. Our specification of recycled content in concrete at the extension, Les 3 Fontaines, Cergy has reduced embodied carbon emissions at that scheme by 211 tonnes.

UNSDGs supported by our Carbon targets

2019 Achievements

Our consistent approach to energy management and engagement with key stakeholder groups has delivered a 32% year on year reduction in our Net Positive carbon footprint (5,632 tonnes of CO_2e).

Key energy efficiency projects that have driven this in 2019 have included:

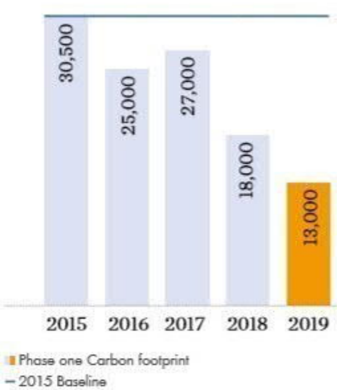
- Using smart sub-metering to monitor utility consumption every 24 hours
- LED lighting installations at nine assets
- Using carbon monoxide sensors to reduce fan running times in car parks
- These and other initiatives reduced energy demand by 10% across our total managed assets

2020 Carbon key initiatives

- Maintaining our focus on energy efficiency
- Investment in further efficiency technologies
- Expansion of our renewable energy generation capacity
- A procurement approach that brings additional renewable energy to the market
- Further work with retailers to reduce emissions from their spaces within our assets

Our analysis forecasts that by the end of 2020 these measures will reduce our carbon emissions to an estimated 8700 tonnes CO_2e. Over the course of the year we will identify appropriate offset projects to address our remaining emissions. Offsetting is always the last option in our carbon strategy but is necessary. A comprehensive statement on our approach to offsetting is set out in our Sustainability Report.

Chart 10
Net Positive carbon emissions (Tonnes CO_2e)



Targets disclosed with different phases.

Explains clearly what ‘Becoming Net Positive’ means.

Explains how they will reach the target

4

Annual reporting in 2019/20: From intent to action

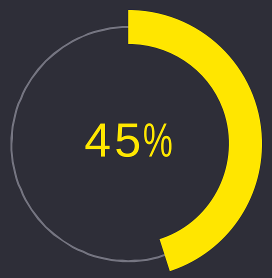
Stakeholder engagement and s172

Stakeholder engagement and s172

Overall findings

- Most companies discuss their stakeholders and how they engaged with them
- Increased disclosures on how stakeholder interests are considered on board decisions compared to last year, in line with new requirements

The average number of principal decisions/ case studies disclosed is between **three** and **four**.



Of companies do not disclose principal decisions/case studies to demonstrate how directors considered s172.

COVID-19 considerations

- How has the board adapted stakeholder engagement in light of the crisis?
- How has the board considered s172 when making tough decisions?

> “
> The pandemic could reveal which companies truly embodied the stakeholder model, and which only paid lip service to it.
>
> Klaus Schwab,
> The World Economic Forum

Pennon Group plc: stakeholder outcomes (2019 ARA, p26–28)

Quality services and satisfied customers

South West Water's customer satisfaction
90%
target: year on year increase in customer satisfaction scores

Viridor's customer satisfaction
80%
target: year on year increase in customer satisfaction scores

Pennon Water Service's customer satisfaction
91%
target: year on year increase in customer satisfaction scores

Our WaterShare customer panel meets quarterly

83%
of customers have trust and confidence in South West Water and Bournemouth Water

Skills, diversity and development

LTIFR 0.90 is down
34%
from 2018/19. Target of 0.50 by 2025, which would make Pennon a health & safety sector leader in water and waste

Trust Index score
63%
+1pt on 2018/19. Target is to be Great Place to Work accredited

Engagement score
68%
maintaining our strong 2018/19 score

Female representation at Board level has increased to
42.9%
from 33.3% in 2018/19; ahead of our 2020 30% Club target

Eight STEM
partnerships delivered up from 2018/19
long-term target to increase the reach of our STEM and community education programme

Community investment and benefit

£6.4m
community investment
across Pennon including £5.3 million to Viridor credits

98.7%
of bathing water classified as 'sufficient' or better
maintaining last year's excellent performance. Our long-term target is 100%

c.2m
visitors to South West Water's reservoirs
in line with 2018/19

173
beach cleans
held through our BeachCare partnership removing **11.3 tonnes** of waste

7,283
visitors to Viridor's **11 educational centres** last year

Stakeholder outcomes disclosed for each key stakeholder group

National Express Group plc: s172 (2019 ARA, p66 and 68)

In making decisions, the Company's Directors are cognisant of all their legal duties, including their duty under Section 172(1) of the Companies Act 2006 to act in the way that is most likely to promote the success of the Company for the benefit of its members as a whole and to have regard (among other matters) to the factors set out in Section 172(1)(a) to (f) of the Companies Act 2006. Examples of some of the principal decisions taken by the Board during the year and an explanation of which factors the Directors had regard to when reaching such decisions, including those set out in Section 172(1)(a) to (f) of the Companies Act 2006, are set out in the table below:

Key of factors considered

Financial impact	Reputation	Acting fairly between members
Long-term impact	Community & environment	
Fostering business relationships	Employees	

Refinancing of c.£650 million of maturing Euro notes, Sterling bonds and other debt facilities through the Company's debut US private placement of notes and the issue of notes under the Company's EMTN programme	Financial impact; Long-term impact	– The refinancing would secure the liquidity required for the Company to execute its long-term strategic plans over the 7-12 year blended tenor of the new debt
	Financial impact	– The new debt would be secured on very favourable financial terms, both as regards coupon and having regard to delayed draw features (reducing double cost of carry)
	Fostering business relationships	– The refinancing would enable the Company to develop lending relationships with certain debt investors that were new to the Group, and build on those with debt investors that already lend to the Group
	Acting fairly between members	– The decision to secure debt rather than equity funding would help to ensure that shareholders, including small shareholders who may not be able to take up their rights in a rights issue, would benefit equally from the delivery of the Company's strategy funded by debt

Specific detail on how directors considered s172 factors (including those beyond stakeholders) in respect of principal decisions.

5

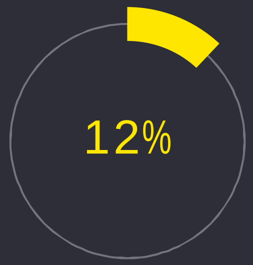
Annual reporting in 2019/20: From intent to action

Workforce engagement and diversity

Workforce engagement and diversity

Overall findings

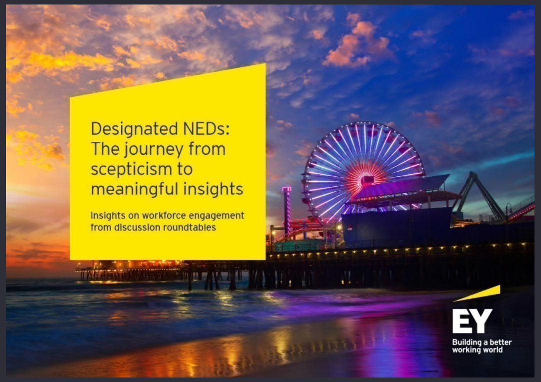
- The designated non-executive director (NED) is the most popular approach, though this has often been implemented in conjunction with existing mechanisms, e.g., employee forums
- Increased evidence of reporting on what specific diversity initiatives are in place



whilst more companies are recognising and communicating wider on the challenges of increasing diversity, only 12% of companies are reporting on the ethnic diversity of their board.

COVID-19 considerations

- How is the board using virtual platforms to engage with the workforce in light of increased remote working?
- Given the extensive changes to the ways of working how does your board get insight into culture?



A summary of insights from our designated NEDs roundtables on workforce engagement following the first cycle of applying the 2018 Code and in light of COVID-19

Elementis Plc: Workforce engagement (ARA 2019, p63)

Purpose of the role

In line with the requirements of the UK Corporate Governance Code 2018 (Code), the role of Designated Non-Executive Director (DNED) exists to ensure that the views and concerns of the workforce are brought to the Board and taken into account and are consistent with the Company's values and support its long term sustainable success.

During the year, Sandra Boss was appointed as the DNED and is expected to:

- Understand the concerns of the workforce
- Articulate those views and concerns in Board meetings
- Ensure the Board takes appropriate steps to evaluate the impact of proposals and developments on the workforce and consider what steps should be taken to mitigate any adverse impact
- Feedback to the workforce on steps taken to address concerns or explain why particular steps have not been taken

Responsibilities:

- To review and monitor insight driven by the engagement survey or other qualitative data (quarterly updates) with the support of the CHRO, Group Company Secretary and SVP, Global Supply Chain and Manufacturing (together the DNED Sub Committee)
- To actively participate in a programme of workforce engagement which may include a variety of engagement mechanisms/ channels such as focus groups and townhalls
- As a standing agenda item at the Board, the DNED is expected to report on the programme of engagement activity and workforce concerns
- The DNED is expected to feedback any concerns regarding remuneration directly to the Remuneration Committee
- Supported by the DNED Sub Committee, the DNED is expected to prepare appropriate responses to address workforce concerns
- Supported by the DNED Sub Committee, the DNED is expected to explain how the Code provisions relating to workforce engagement have been met

Activities carried out in 2019

- Communicated the appointment of Sandra Boss (DNED) to the wider workforce
- Developed workforce engagement plan for 2019-2020
- Launch of engagement survey
- China focus group following Board site visit to China. The purpose of this activity was to understand sentiment based on local management changes, organisational review and other Values based questions

Activities planned for 2020

- Focus groups facilitated across selected sites
- Physical attendance by DNED as part of the Board's site visit programme to Castle Hayne and New Jersey
- Review of engagement survey data at regular intervals
- Workforce engagement reports at Board meetings
- DNED communications to workforce in response to insight gained from focus groups and site visits

Further information on workforce engagement can be found on pages 34, 36, 67 and 69.

Clarity on the purpose and responsibilities of the designated NED.

A clear focus on actions taken in the year and those planned for the following year.

ITV plc: Diversity (ARA 2019, p48-49)

Diversity & Inclusion

Fostering creativity by championing diversity and encouraging inclusion.

Our Goal:

Improve gender, BAME, disability and LBGT+ representation on and off screen by 2022.

Sustainable Development Goals

ITV's creative and commercial talent is vital to our success as a business so we seek to attract a workforce that is diverse in all respects, and to nurture an inclusive, enabling environment for all. We also ensure that ITV is for everyone, by working towards true representation on-screen, as well as behind-the-screens.

Page 51 further details on our approach to recruiting, retaining and developing a diverse workforce, and the recognition we have received. For information regarding the Board's diversity policy, see page 101.

On-screen

On-screen targets by 2022

Gender 50%	Declared disability 10%
BAME 15%	LGBT+ 7%

We work hard to ensure ITV reflects and represents everyone on-screen. One of the key tools for this is our Social Partnership Commissioning Commitments form that every production uses. This details the commitments producers are expected to make around diversity and inclusion, alongside environmental sustainability and charitable causes.

Programme-makers are expected to actively consider the diversity of not just lead characters, presenters and contributors, but also the secondary and background roles, and those behind the camera too. They are also required to ensure case-studies, features and storylines themselves reflect a diverse range of storytelling.

Off-screen

ITV workforce targets by 2022

Gender 50% of women in SLT, managers and colleagues	Declared disability 8% of SLT, managers and colleagues
BAME 15% of SLT, managers and colleagues.	LGBT+ 7% of SLT, managers and colleagues

And 30% women, and 10% BAME on the PLC Board.

SLT = Senior Leadership Team, the top c.200 senior leaders in the business.

1. Data as at 31 December 2019.

In 2019 we published for the first time ambitious targets on workforce diversity. A wide range of initiatives will help us reach these objectives, see page 51 for more detail.

ITV has published its gender pay report which includes reporting on ethnicity pay, www.itvplc.com/investors/governance

For more information see our Social Purpose Report and website: www.itvplc.com/socialpurpose

Progress against Targets[1]

BAME

We have increased representation of BAME colleagues to 12.1% among colleagues and 9.4% and 9.8% of SLT and managers respectively. On-screen we surpassed our representation of BAME at 21.4%.

LGBT+

We have surpassed our target for on-screen representation, which is at 14.0% for LGBT+, and for all colleagues and managers. We're working on SLT representation which is currently at 4.0%.

Gender

We have surpassed our on-screen targets and most of our off-screen targets, with 53.6% of colleagues and 51.0% of managers being female. With women making up 44.8% of our senior leadership team (SLT) we are ahead of most of the FTSE 100, but we are still working on reaching 50%.

ITV has been ranked in the 2019 Hampton Alexander Review as the fourth best performer in the FTSE 100 for gender diversity in our combined Executive Committee and direct report roles (42.1%).

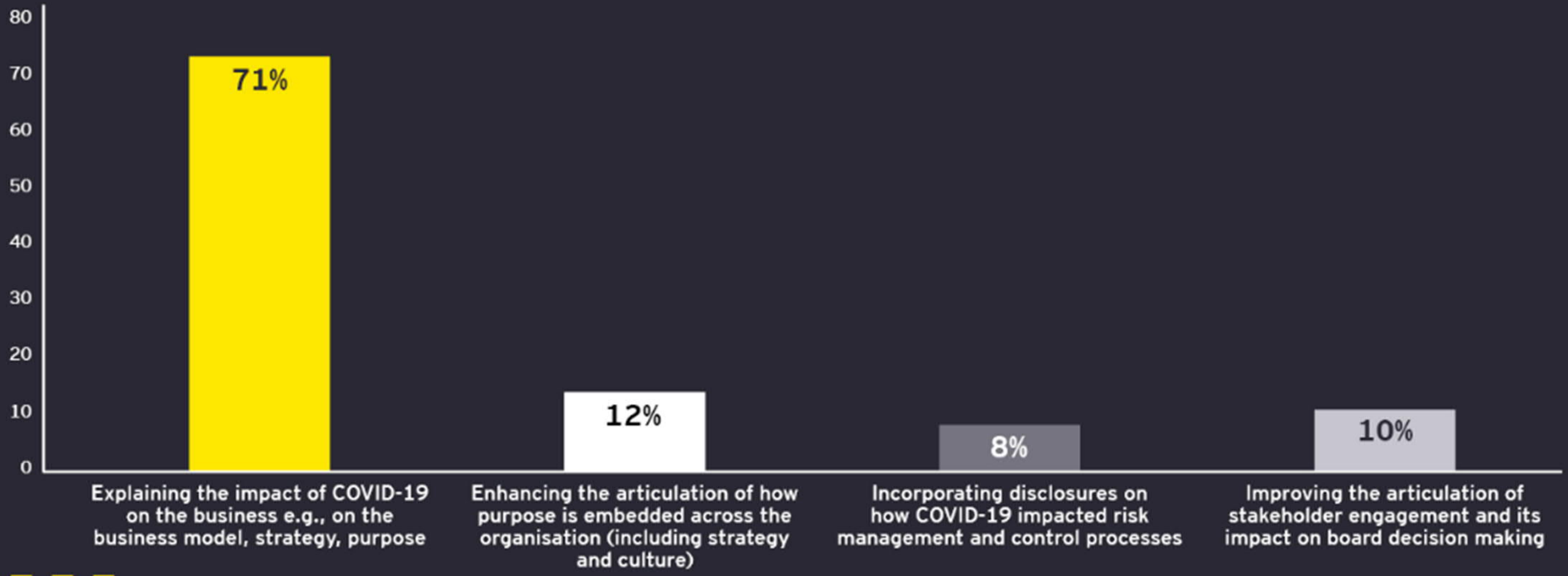
Declared disability

Representation amongst all colleagues has increased to 7.0%. We have surpassed our target for SLT, but continue to work to increase the number of managers and colleagues with disability, as well as on-screen representation, which is currently at 5.8%.

Good cross-referencing to further related information on talent recruitment and retention as well as the actual policies in place on diversity.

ITV has set clear targets with a specified timeline on a range of diversity issues. Progress has been reported on all of these.

Poll: Given that preparers are thinking ahead to their 2nd cycle of reporting against the 2018 UK Corporate Governance Code and the Miscellaneous Reporting Regulations in very volatile and uncertain times, we asked them what their main areas of focus would be in their 2020/21 (i.e. next) annual report:



Find out more ey.com/corporategovernance #FromIntentToAction

Results from a poll of 176 participants conducted on 1 October 2020

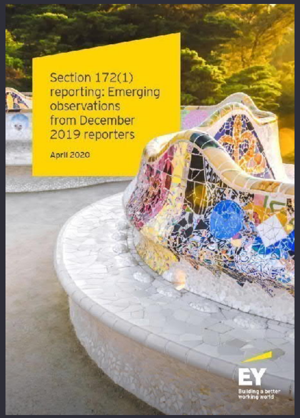
Key messages

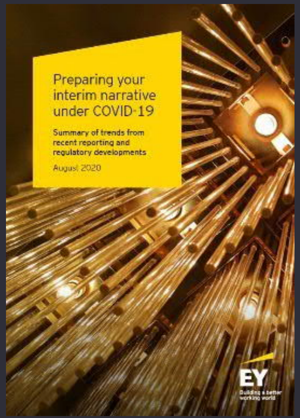
- Start early – reflect on the first cycle of applying the 2018 Code and MRR to consider areas for development/enhancement
- Turn intent into action – balanced, transparent and outcome-oriented reporting helps create accountability and, in time, trust
- Keep abreast of upcoming developments and help shape/influence them as they progress

> “
>
> Feelings waste themselves in words; they ought all to be distilled into actions which bring results.
>
> Florence Nightingale

About EY’s Corporate Governance team

- We provide practical guidance and thought leadership on governance and narrative reporting matters
- We contribute to wider discussions on good governance, based on our research and engagement with investors, boards and regulators





Our services include:

- Bespoke reviews of narrative reporting including gap analysis
- Governance diagnostics
- Board/management training for FTSE 350 and large private companies

To access our thought leadership or subscribe to our monthly e-bulletin Governance Spotlight visit https://www.ey.com/corporategovernance or email corporategovernance@uk.ey.com.

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ED None

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