Deloitte.

Annual report insights 2020 – Pandemic
Surveying FTSE reporting

Contents

Pandemic

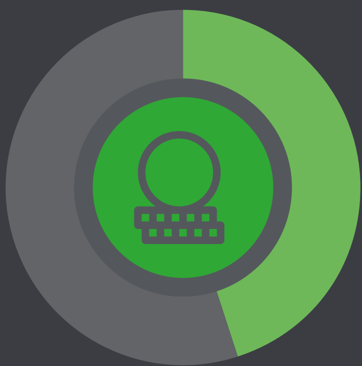
Although 100% discussed the impact of COVID-19, 55% presented a distinct section of their report to summarise their response

85% referred to COVID-19 in their s172(1) statement

All companies mentioned COVID-19 within their principal risks

No companies disclosed material uncertainties relating to going concern or a significant judgement related to that conclusion

85% acknowledged the impact of COVID-19 when discussing dividends



45% disclosed impacts of COVID-19 as exceptional in their income statement

The impact of the COVID-19 pandemic has been significant for companies across all industries and jurisdictions. In this section we look at some of the emerging trends in annual reporting for a sample of 20 FTSE 350 March year-ends. In July of this year the FRC also published their own thematic review of the financial reporting effects of COVID-19, building on the guidance they had published earlier in the year. Of course, as the situation regarding the pandemic continues to evolve and regulators issue further pronouncements and guidance, reporting trends may also continue to evolve and companies should monitor this carefully.

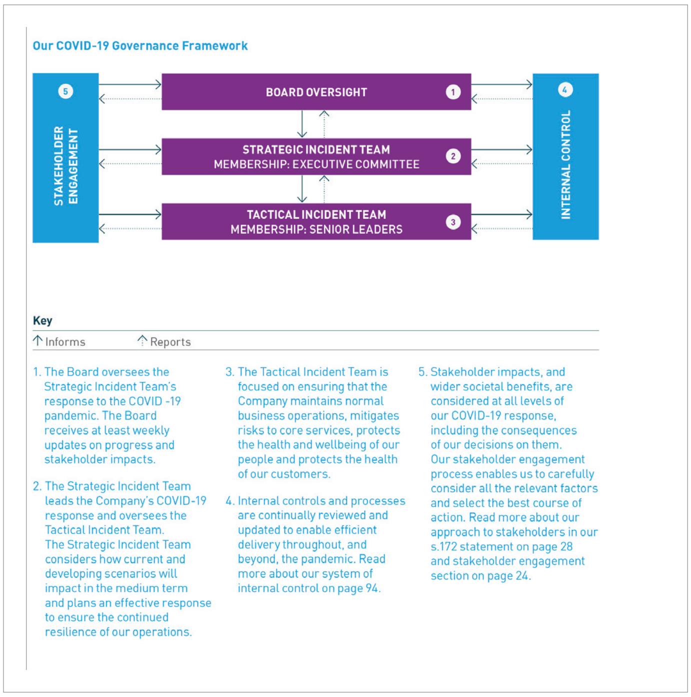
It was perhaps surprising that despite the uncertainty caused by COVID-19 and the relaxation of filing deadlines, on average the companies surveyed had their annual reports approved 58 days after their year-end. This was in fact a day quicker than the average FTSE 350 company approval in our prior year survey. Companies may have felt that delaying proceedings would not help to resolve the uncertainty they faced and that fulsome and transparent disclosure of forecasts, estimates made and judgements they had taken was the best way forward.

Unsurprisingly, all companies surveyed included discussion of COVID-19 and how their businesses had responded to the pandemic. BT Group PLC was an example of a company that made effective use of a COVID-19 'icon' to identify disclosure in both their narrative and financial reporting related to the pandemic. 55% of those surveyed elected to present a distinct section within their annual report pulling together different elements of the company's response, often with cross-references to where further detail could be found. Such sections were often presented as double page spreads and went on to describe companies' interactions with various stakeholders, including employees, customers, suppliers and society at large.

Governance and board response

As with the other hot topics examined in this publication, a company's response to the COVID-19 pandemic will ultimately be led by the board of directors. A number of companies set out their governance framework for dealing with the pandemic, including the role of different teams and committees in addition to the board of directors.

Severn Trent plc set out in their report their COVID-19 Governance Framework, including what the board's role was within that.



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OUR RESPONSE TEAMS

Board

The Board has led the business's Covid-19 response – it has directed senior leadership to consider all scenarios associated with the pandemic, reviewed and considered potential response options, and set expectations for M&S's approach with each of its stakeholders and the community at large. The Board has called upon the M&S Crisis Management and Government Relations Teams to review and update them on the government's social-distancing requirements, business support measures, and policies affecting M&S as a listed business, and directed them on how to respond accordingly. Since the World Health Organization declared the virus a pandemic, the Board has had additional meetings by phone or online at least weekly to monitor the Company's ongoing response.

Operating Committee (OC)

As M&S's senior leadership team with responsibility for the day-to-day operation of the business, the OC has overseen the business's Covid-19 response under the guidance of, and as directed by, the Board. From reviewing immediate cost reduction plans to preserve liquidity, to consulting with BIG to determine colleague furloughing proposals, the OC has continued to take operational decisions in line with the Board's strategic approach, ensuring that the Board can remain focused on the long-term strategic issues and decisions associated with the pandemic.

Disclosure Committee (DC)

The DC exists to monitor the presence of inside information, ensuring that the Company adheres to the Market Abuse Regulations and fulfils its obligations as a listed Company to announce inside information as soon as possible. The DC has been instrumental in reviewing the financial impacts of the virus on the business as these become clearer alongside the potential price sensitivity of this information on the Company's listed securities, so that market announcements can be made promptly.

Business Involvement Group (BIG)

BIG is the mechanism by which the colleague voice is heard by the Board and senior leadership and has therefore ensured that colleagues are consulted and kept informed at every stage of the business's response. The National BIG Chair has attended CMT meetings throughout the crisis.

Crisis Management Team (CMT)

The CMT is a standing body with representatives from all areas of the business: Business Continuity; Corporate Communications; Clothing & Home; Food; International; Sourcing; HR; IT; Dotcom; Retail; Property; Legal; Insurance; Internal Audit; Finance. It has been responsible for determining and directing the actions required to minimise impact on the business's operations, and has provided the OC and Board with regular updates on its progress, which included the immediate closure of all Outlets stores and Clothing & Home sections of full-line stores in response to the UK's lockdown measures, and implementing social distancing and safety measures in all distribution centres and stores to ensure their continued operation. It has met regularly, often daily, to ensure that the business is reacting to the crisis in a timely manner.

Government Relations Team (GRT)

Initially, the GRT closely followed the government's position in relation to the virus, ensuring that the Board was well informed of all changes. As the pandemic progressed, the GRT's role has evolved to liaising directly with government departments to help shape virus-related policies impacting M&S as a retailer and as a listed company.

OUR RESPONSE IN NUMBERS

Board meetings	12
CMT meetings	51
Colleague announcements	70
Market updates	2
Value of product and cash donations	£928k
Charity T-shirts sold	65k
Meals donated to Neighbourly	1.29m
Charity bags for life sold	405k

* Figures as at 14 May 2020.

All companies gave some level of insight into what the board specifically had done, although in some it appeared to be largely limited to how the board had been kept updated by management or committees during the course of the pandemic.

Marks and Spencer Group plc provided a description of each of the various response teams they had in place as a result of COVID-19.

The amount of detail provided on board-level action varied. All companies gave some level of insight into what the board specifically had done, although in some it appeared to be largely limited to how the board had been kept updated by management or committees during the course of the pandemic. Those companies may have felt that it was implicit within the broader discussions on how the company had responded to the pandemic that the board had led the company's response during that time. Other companies made it clear that the board specifically had engaged with various stakeholder groups during the course of the pandemic, as described below.

Purpose, stakeholder engagement and decisions

As noted in the recent BlackRock Investment Stewardship report, "because COVID-19 poses an existential threat for many companies, it is also straining the social contract between companies and their employees and other stakeholders".
In uncertain times strong relationships with stakeholders are more important than ever in preserving a company's business model and sustaining its resilience.

Events such as the pandemic may even lead the board to reassess the company's purpose to ensure it strengthens the social contract. Vodafone, for example, provided disclosure on 'developing a new social contract' in response to COVID-19.

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Developing a new 'social' contract (continued)

COVID-19: Our rapid, comprehensive and coordinated response to support society...

Vodafone is committed to doing its utmost to support society during this period of uncertainty and change. As a provider of critical connectivity and communications services enabling our digital society, we announced a five-point plan to help the communities in which we operate.

1 Maintain network service quality

In assisting governments and citizens, it is essential that we are able to maintain a minimum level of resilience and quality of service on our networks. This ensures essential connectivity and communications services, enabling citizens who are staying at home to continue to work, learn, socialise and be entertained. This was our first priority.

- As customers work from home to an unprecedented degree using video conferencing over fixed broadband, uplink data (from the customer to our network) increased by as much as 100% in some markets. Download traffic has increased by 44% in aggregate.
- Overall, mobile data usage increased by around 15% across Europe, peaking at 30% in Spain and Italy. In Africa, where there is limited fixed broadband, mobile data usage increased by around 20%, reaching 40% at its peak in South Africa.
- In response, we brought forward planned network upgrades, adding four Terabits per second of additional capacity to our networks during March and April. In our cable and fibre networks, we upgraded the number and size of interconnection points with other operators and by the end of April had increased our capacity by 60%.
- Our engineers continue to play an essential role when equipment at premises needs attention. In Germany, our 5,000 customer engineers managed to decrease repair times by around 40%, aided by the ability of customers to make immediate appointments and reduced travel times.

2 Provide network capacity and services for critical government functions

We are offering hospitals additional network capacity and services such as video conferencing and unlimited, fast connectivity for healthcare workers. This allows remote consultations, removing the need for non-essential travel to hospitals and has allowed updates and best practices to be shared between hospitals and clinical staff.

- In Italy, Vodafone has provisioned vital connectivity for new hospitals in Cuasso, Varese and the new Fiera Milano hospital in Milan.
- Vodafone UK has provided emergency coverage for temporary new hospitals including the 4,000 bed Nightingale Hospital at London's Excel Centre and similar facilities in Manchester, Cardiff and Glasgow.
- Vodafone Romania has installed new mobile sites for temporary military hospitals in Bucharest and Constanta.
- In South Africa and Lesotho, Vodacom has provided 20,000 and 1,000 devices respectively to Ministries of Health departments for field workers engaged in testing and related data collection.
- To guarantee connectivity for patients, Vodafone Spain has provided 30,000 SIMs with 60GB of data to hospitals and care centres for the elderly – ensuring that people who are affected by COVID-19 in nursing homes, residences or small hospitals can stay connected to their families.
- In Italy, Vodafone has donated more than 1,200 smartphones and tablets to hospitals, foundations and non-profit organisations to enable patients to remain in touch with relatives.
- In the UK, Vodafone has announced that 125,000 NHS workers who are existing customers will benefit from 30 day's free unlimited mobile data.
- Vodafone Germany and Corevas have repurposed and offered for free their EmergencyEye technology which was previously used to provide detailed virtual health assessments via smartphone – removing the need for patients to leave the house and lowering the risk of infections as a result.

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- In Kenya, Safaricom Foundation's Safari Smart mobile service is helping to disseminate information on infectious diseases, including COVID-19, providing more than 275,000 users with information on the signs and symptoms of the virus.
- Vodafone's Foundations in the Czech Republic and Hungary are working with their respective health ministries to provide official COVID-19 information in real-time through additional features on their Life-Saving app. The app has already reached 1.3 million Czech users and more than 500,000 users in Hungary.

Facilitating E-learning for students
With schools also now being shut, we are offering free access to government educational resources, and any other educational resources that are recommended by the national educational authorities and academic institutions.

3 Improve dissemination of information to the public

Recognising the importance of timely and accurate information to the public, we are offering all governments the ability to disseminate critical information via text alerts and providing free access to health and education sites.

- In the UK, we have zero-rated the cost for mobile users to visit the nhs.uk domain and equivalent pages in Scotland, Wales and Northern Ireland for the duration of the crisis.
- In South Africa, our ConnectU Platform provides free services on health, jobs, education, safety and security, and Government services to the public.
- In Germany, we have zero-rated digital education web pages and the official COVID-19 virus website of Robert Koch Institute and hospitals.

4 Facilitate working from home and help small and micro businesses within our supply chain

The economic repercussions of this pandemic could be significant and long lasting. To mitigate these effects, we need to help those that can to work from home. For businesses of all sizes, but particularly SMEs, we are providing remote working solutions, advice and best practice information on how to use those services in the most effective way.

- Vodafone employees alone, for example, are hosting 40,000 virtual video meetings and generating over six million call minutes every single day thanks to a rapid expansion of capacity to all of the digital tools we use.
- We are supporting Vodafone Business customers to digitalise their own companies rapidly. We have enabled as many as 2.5 million employees to work from home, many for the first time.
- We have announced faster supplier payment terms to micro and small enterprises who may have liquidity problems.
- We have provided special remote working solutions for businesses and SMEs, in particular:
  - Vodafone Hungary are offering business packages to micro and SME business customers without any loyalty contract.
  - Vodafone markets including Spain, Italy, South Africa and Kenya are offering unlimited data and special offers to SMEs for a limited period.

5 Improve governments' insights in affected areas

Data insights are essential to understand the effectiveness of lockdowns and the spread of the virus. Wherever technically and lawfully possible, we are assisting governments in developing insights based on large anonymised data sets.

This work falls into three broad categories: mobility 'insights', data and AI-driven modelling and contact tracing apps:

- **Mobility 'insights':** we are providing governments and public administrations with access to the mobility dashboards (live in Spain, Italy, Greece and Portugal). This mobility data is particularly useful to see if quarantine and lockdown measures have been effective and are being observed. In Italy, we used our Vodafone Analytics platform to provide Lombardy's regional government with heat maps showing how population movements changed before and after containment.
- **Data & AI-driven modelling:** We have leveraged our experience of tracking the spread of infectious diseases, like malaria in Africa, using big data and artificial intelligence techniques. We developed an epidemiologist model, in collaboration with academics from the University of Southampton and Imperial College.
- **Contact tracing apps:** We are assisting governments as they look to exit quarantine/lockdown measures, through the development of contact tracing smartphone apps. We are a member of the pan-European research consortia the Pan-European Privacy-Preserving Proximity Tracing ('PEPP-PT') that has created an open-source technology standard and Software Developer Kit to develop a contact-tracing app that works in a privacy-protected manner.

Additional actions

- In response to COVID-19 Vodafone has given direct contributions and services in-kind totalling approximately €100 million, reaching 78 million customers.
- The Vodafone Foundation has also donated €9 million in cash grants, gifts in-kind and from employee donations via the community fund.
- During the COVID-19 crisis, M-Pesa is a strong alternative to cash, offering a no-contact payment solution. Working with regulators, M-Pesa has implemented a number of measures across our African markets including enabling free person to person transactions, increasing transaction and balance limits, and flexible customer registration and on-boarding.

...ensuring vital connectivity to keep families connected, to enable businesses to operate, students to learn, healthcare to be delivered and Governments to provide critical services.

85% of companies made reference to COVID-19 in their directors' s172(1) statements, either directly or through cross-referencing, again often linking to disclosure on stakeholder engagement.

In their thematic review on COVID-19 the FRC stated that they expect narrative disclosures to be provided explaining how relationships with employees, customers, suppliers and others have been maintained during the pandemic.

Biffa plc provided a summary of how they had engaged with their various stakeholders during the pandemic, with cross references to where further information could be found.

Stakeholder Management

All of our stakeholders were affected in some way by the COVID-19 crisis. Our swift action and clear engagement with all stakeholders has enabled Biffa to endure these challenging circumstances in the best way possible, whilst ensuring we have continued to support these stakeholders and act fairly at all times:

Employees – our internal effort to protect our people was our top priority. From adapting staff benefits where relevant, utilising the Coronavirus Government Retention Scheme, creating an internal response team, utilising our employee app to proactively engage with our teams, offering wellbeing support and other engagement methods including letters, appreciation videos and much more.

Customers – we actively worked with customers to minimise service disruption and support them where possible. We have also enjoyed good levels of new business wins.

Shareholders – we sought to engage proactively with shareholders, participating in numerous calls with them as well as briefing broker sales teams, and releasing three RNS announcements in relation to the crisis. Our share price reaction has been consistent with our sector and the FTSE 250 overall.

Suppliers – we are extremely grateful to the many long-standing suppliers who have supported our operations through the crisis. We worked proactively with key suppliers to agree rebates, payment deferrals and discounts where appropriate.

Government and Regulators – we proactively engaged with the Government and Regulators and other industry operators to pull together as an industry, helping to develop industry guidelines and best practice in response to the crisis.

Communities – our key workers are providing an essential service to businesses and households. We were overwhelmed by the support we received from our customers and members of the public (in the form of hand-written notes, pictures and social media posts) who have expressed their gratitude for our front line workers.

You can read more on:

Principal risks on pages 34 to 38

Viability statement and going concern on page 39

How the Board Engages with Stakeholders on page 47

As discussed earlier in this publication, companies often describe their people as their most valuable asset. It therefore came as no surprise that all companies surveyed discussed the specific impact of the pandemic on their employees. These disclosures typically went beyond straightforward matters such as how remote working had enabled them to continue trading, to also include information such as:

- whether employees had been furloughed and whether redundancies were anticipated in the short term;
- changes to policies on holiday pay;
- findings from staff surveys;
- charitable initiatives launched; and
- training and other support provided.

Land Securities Group PLC provided an up-front summary in their report of how they had engaged with and prioritised the needs of different stakeholders during the pandemic, including employees, and how they had responded.

Our people

— The health and wellbeing of our people has always been our priority. All of our office-based staff were encouraged to work from home from 16 March.
— We have made changes to our policies, notably our holiday policy to ensure that staff don't miss vital family holiday time and that our business can manage the resourcing demands placed upon it.
— Our trained mental health first aiders have worked tirelessly to support all members of staff, using a range of external resources, toolkits and guides for remote working and those with caring responsibilities in the home.
— Our Senior Management have acted swiftly to provide extraordinary levels of communication via weekly videos, emails, internal intranet and regular telephone and video conferences ensuring that every staff member has some form of regular, daily contact with their line manager or team.
— For those staff whose work has been severely disrupted, we have created a skills hub for them to offer their time to teams with increased demand, thereby ensuring no one is unproductive or isolated during the lockdown.
— We are offering support to our people who continue to work in our assets.

Read more in Our stakeholders on pages 16-17

85% of those surveyed acknowledged COVID-19 when discussing their dividend policy or the dividends they were proposing. Whilst some companies indicated that despite COVID-19 they were in a strong enough position to still propose dividends, others indicated that COVID-19 had led to them deciding not to propose any dividend in the current year.

National Grid plc were an example of the former, having explicitly referenced the stress testing they had performed against a number of COVID-19 scenarios ahead of deciding to recommend a dividend in line with their usual policy. More general findings on dividend-related and capital allocation disclosures can be found in the 'Profit' section of this publication.

As described earlier in this publication, the best s172(1) statements include examples of decisions made by the directors in fulfilling their duties under s172. However, not all companies explicitly presented examples of decisions the board had taken in response to COVID-19, as distinct from those that management had taken as part of their s172(1) statements. It may have been that the directors believed that it was implicit within the broader narrative as to which decisions they had ownership of. The most common 'decision' where it was presented as clearly owned by the Board related to employee matters, such as a decision not to place employees on furlough.

Risks, going concern and viability

All companies surveyed included COVID-19 within their principal risks, either as a stand-alone principal risk having various effects, as a factor impacting various existing principal risks or through a combination of both these approaches. The best disclosures provided company-specific insight into the potential impacts of the pandemic and, again, information on stakeholder engagement was often incorporated into discussions of mitigating activities.

Vodafone Group plc commented also on their consideration of impact of COVID-19 on their systems of internal controls.

> Internal controls systems
> We have reviewed our financial controls and have concluded that except for a limited number of changes required as a result of remote working, primarily in relation to the form of physical evidencing of approval, the ongoing operation of our financial controls is substantially unaffected by COVID-19 restrictions. This is in part a function of the tools and processes that have allowed remote access working for finance teams. We also performed a re-assessment of the Internal Audit plan for FY21 to ensure priorities were re-aligned with areas of higher risk in the current COVID-19 impacted operating environment.

Longer term viability statements continued to look out over a time period of four years on average – no companies had changed their lookout period as a result of COVID-19 despite all the uncertainty created by the pandemic. 40% included information on assumptions they had made related to COVID-19, such as the length of the lockdown period or when they foresaw trading returning to normal levels. Additionally, 85% also indicated that they had undertaken additional stress/sensitivity testing in response to the pandemic. 35% of those companies indicated which factors they had flexed as part of their stress testing without quantification and 29% gave some form of quantification of the factors they had flexed under the different scenarios tested.

Burberry Group plc provided an example of disclosure relating to how the scenarios had been updated for the impact of COVID-19, including information on their reverse stress testing.

> **SCENARIOS**
> A range of downside scenarios resulting from the potential impact of COVID-19 have been developed. These scenarios were informed by a comprehensive review of the macroeconomic downside scenarios using third party projections of scientific, epidemiological and macroeconomic data for the luxury fashion industry:
>
> - The Group central planning scenario is based on a significant reduction to FY 2019/20 revenues reflecting a protracted period of lockdown and the resultant store closures and footfall declines across key regions, with a gradual improvement in FY 2021/22 and FY 2022/23.
> - As a sensitivity, this central planning scenario has been flexed to reflect a further 15% downgrade to revenues throughout the three-year period and the associated consequences for EBITDA and cash. Management consider this represents a severe but plausible downside scenario appropriate for assessing going concern and viability. This was designed to test an even more challenging trading environment as a result of COVID-19 together with the potential impacts of one or more of the Group's other principal risks.
> - For the purposes of a liquidity stress test, we flexed our central planning scenario. This test assessed a £1.6 billion (61%) revenue downgrade from FY 2019/20 in FY 2020/21, a gradual improvement in FY 2021/22 to a £0.6 billion revenue downgrade from FY 2019/20 and then flat growth in FY 2022/23. We have used this to perform reverse stress testing to understand the funding headroom limits.
>
> The reverse stress test includes the following:
>
> - A significant short-term decrease in FY 2020/21 revenue compared to the central planning scenario caused by reinfection in Mainland China and a second lockdown or a delay or slower recovery in EMEIA or Americas as well as a long-term decline in travelling consumers resulting from prolonged travel restrictions.
> - A longer-term decrease in revenue during the three-year period caused by a macroeconomic downturn depressing consumer demand.
> - Foreign exchange volatility impacted by changes to macro-economic forces.
> - The impact of one or more of the principal risks arising from one-off events, represented by a £100 million reduction in annual profit and cash, for example: business or supply chain interruptions within Burberry and its vendors as the business recovers from the pandemic, a cyber-attack resulting in significant loss of data, or additional duty costs associated with the UK's withdrawal from the European Union.

All companies surveyed made reference to the impact of COVID-19 in explaining their conclusion that it was appropriate to adopt the going concern basis of accounting. 50% of audit reports in the companies surveyed included a key audit matter relating to going concern, but no companies in our sample disclosed a material uncertainty relating to the use of the going concern assumption. Furthermore, no companies disclosed the use of significant judgement in forming their conclusion regarding going concern under IAS 1 paragraph 122. The FRC's thematic review reminded companies of this disclosure requirement, which could apply even where there is ultimately no material uncertainty.

Financial statements

All companies made reference to COVID-19 in their financial statements, although there was typically less information compared to that presented in the narrative reporting.

Not all companies surveyed disclosed discrete financial impacts recognised in the financial statements as a result of COVID-19. Of those that did, impairments of non-financial assets under IAS 36 *Impairment of non-financial assets* and expected credit losses relating to receivables under IFRS 9 *Financial Instruments* were the most common items. 45% disclosed an impact of COVID-19 in a note setting out 'exceptional items' or similar, although these amounts typically also included other non-COVID related amounts, consistent with the companies' normal accounting policies regarding such items.

The presentation of such exceptional items on the face of the income statement varied between using columns, boxes and additional line items. However, in line with the FRC's guidance relating to COVID-19, no companies were seen to present pro-forma alternative performance measures in their income statements containing 'missing' amounts such as lost revenue as a result of COVID-19.

At a time when forecasting of future performance is perhaps more difficult than ever, users cannot expect consistent assumptions to be applied and as such the disclosures required by IAS 1 on critical judgements and key sources of estimation uncertainty become more important than ever. The most commonly cited sources of estimation uncertainty impacted by COVID-19 were determining recoverable amounts of assets under IAS 36 and estimating expected credit losses under IFRS 9. However, a variety of other areas of estimation uncertainty were also repeatedly identified as having been impacted by COVID-19, including inventory provisioning and the valuation of unquoted pension scheme plan assets.

The FRC has reiterated that it expects sensitivity analysis or details of a range of possible outcomes to be provided for areas subject to significant estimation uncertainty, going on to state that it expects the number of such disclosures to increase in light of the pandemic. In some cases companies only seemed to provide sensitivity information where it was already required by a standard other than IAS 1, such as IAS 36.

It is worth remembering that IAS 36's specific requirements regarding sensitivities require, that for CGUs with significant goodwill, if a reasonably possible change in a key assumption would give rise to an impairment, the amount by which that assumption would have to change to erode the headroom needs to be disclosed. This is subtly different from disclosing the impact of changing a key assumption by plus or minus X%. In the majority of instances of those companies testing goodwill balances for impairment, estimates of CGUs' recoverable amounts continued to be based on value in use rather than fair value less costs of disposal.

At a time when forecasting of future performance is perhaps more difficult than ever, users cannot expect consistent assumptions to be applied and as such the disclosures required by IAS 1 on critical judgements and key sources of estimation uncertainty become more important than ever.

Taking into account the significant uncertainty regarding the outcome of COVID-19 and its impact on retail operations and the global economy, as well as other factors impacting the net realisable value of inventory, management consider that a reasonable potential range of outcomes could result in an increase or decrease in inventory provisions of £20.0 million in the next 12 months. This would result in a potential range of inventory provisions of 24.1% to 30.6% as a percentage of the gross value of inventory as at 28 March 2020.

Looking beyond IAS 36, and in line with FRC's call, Burberry Group plc (pictured above) provided an example of sensitivity information in connection with inventory provisioning, going beyond the requirements in IAS 2 *Inventories*.

Despite estimates of expected credit losses also regularly being cited as a key source of estimation uncertainty impacted by COVID-19, very few companies provided insight into how it had impacted their methodology for measuring such allowances.

United Utilities Group plc provided an example of disclosure on the impact COVID-19 has had on their allowance for expected credit losses for trade receivables, including some sensitivity information.

Despite estimates of expected credit losses also regularly being cited as a key source of estimation uncertainty impacted by COVID-19, very few companies provided insight into how it had impacted their methodology for measuring such allowances.

What to watch out for

- ☐ Make it clear what actions the board has taken in response to COVID-19 and the impact it has had on different stakeholder relationships.
- ☐ Provide clear disclosure on the assumptions used and judgements made in concluding on the use of the going concern assumption and the longer-term viability statement.
- ☐ Provide sensitivity analysis or details of ranges of possible outcomes relating to areas of significant estimation uncertainty.
- ☐ Avoid splitting amounts recognised in the financial statements on an arbitrary basis between portions that relate to COVID-19 and those that relate to business as usual.
- ☐ Ensure appropriate consistency, linkage and cross-referencing of COVID-19 disclosures across the annual report.

Appendix – Survey methodology

For many years the Annual report insights series has presented the findings of a survey of 100 annual reports of UK companies with a premium listing of their equity on the London Stock Exchange, both within and outside of the FTSE 350. This year we have adopted a different approach to facilitate a deeper look into key areas where regulators and investors are increasing their focus.

Purpose, people, planet and profit chapters

In four key areas – purpose, people, planet and profit – the publication presents the findings of a survey of 50 UK companies with a premium listing of their equity on the London Stock Exchange. The population comprises 21 FTSE 100 companies and 29 FTSE 250 companies across a range of industries. All companies had financial years ending between 31 December 2019 and 31 March 2020 and had more than 500 employees, and were therefore required to disclose both an NFI statement and s172(1) statement and were in scope of the 2018 Code. As many of these companies as possible were included within the sample used in the previous survey.

Pandemic chapter

A large number of the annual reports surveyed for the four previous chapters that were approved in February or early March 2020 made little or no reference to COVID-19. As such, in this section we look at some of the emerging trends in annual reporting regarding COVID-19 for a sample of 20 FTSE 350 March year-ends.

Appendix 1 of consolidated publication – additional findings

This appendix presents various statistics from surveying the larger sample of annual reports that includes 100 UK companies spread across the whole of the FTSE. 91 of the 100 companies are the same as those used in the previous year's survey. The population comprises 20 FTSE 100 companies (2019: 19), 39 FTSE 250 companies (2019: 37) and 41 companies outside the FTSE 350 (2019: 44). Investment trusts, other than real estate investment trusts, are excluded from the sample due to their specialised nature. The reports analysed are for financial years ended between 28 September 2019 and 31 March 2020.

Although our survey data uses only companies from our samples, when selecting examples of good practice we have used material from companies that, in our view, best illustrate a particular requirement or innovation, regardless of whether they are in our sample.

Each chapter also includes a short list of items to watch out for in the reporting season ahead, reflecting areas of changing requirements or practice and areas of regulatory focus.

Glossary of terms and abbreviations

Term	Definition
2018 Code, or the new Code	The 2018 UK Corporate Governance Code
Acc Regs Sch. 7	Schedule 7 of *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)*, as amended
the Act	UK Companies Act 2006, as amended
BEIS	The Department for Business, Energy and Industrial Strategy
BEIS Q&As	A set of frequently asked questions published by BEIS regarding *The Companies (Miscellaneous Reporting) Regulations 2018 (SI 2008/860)*
Brydon review	An independent review by Sir Donald Brydon into the quality and effectiveness of audit
Climate Action 100 +	An investor initiative encouraging large corporate greenhouse gas emitters to take necessary action on climate change
ESG	Environment, social and governance matters
ESMA Guidelines	Guidelines on Alternative Performance Measures (APMs) for listed issuers published by the European Securities and Markets Authority (ESMA). Since original publication, ESMA has published several questions and answers on the guidelines to promote common supervisory approaches and practices in the implementation of them
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRC Guidance	The FRC's Guidance on the Strategic Report published in July 2018
FRC Lab	The Financial Reporting Lab was launched in 2011 to provide an environment where investors and companies can come together to develop pragmatic solutions to today's reporting needs. Latest reports can be found here.
FRC's Annual Review of the UK Corporate Governance Code	See this link
FRC's Annual Review of Corporate Reporting 2018/2019	See this link
GHG	Greenhouse Gases
IASB	International Accounting Standards Board
IBC	The World Economic Forum's International Business Council
Investment Association	A trade body and industry voice for UK investment managers
IPCC	Intergovernmental Panel on Climate Change, the United Nations body for assessing the science related to climate change
KPI	Key performance indicator
NFI Statement	the Non Financial Information Statement as required by s414CB of the Act
NFR Regulations	*The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 (SI 2016/1245)* which implement the EU Non Financial Reporting Directive into sections 414CA and 414CB of the Act
Parker Review	An independent review by Sir John Parker into the ethnic diversity of UK boards
R&D	Research and development
s172	Section 172 of the Act which sets out certain directors' duties
s172(1) statement	The statement required by s414CZ of the Act, under which the directors must explain how they have fulfilled their duty under s172(1) of the Act
SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals, a set of targets set out by the United Nations
SECR	Streamlined Energy and Carbon Reporting, as set out in *The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (SI 2018/1155)*
TCFD	Task Force on Climate-related Financial Disclosures
TCFD recommendations	Recommendations as set out by the TCFD which promote voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders
TCFD 2019 Status Report	An overview of current disclosure practices as they relate to the TCFD recommendations
WEF	The World Economic Forum

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