Annual report insights 2020 – People

Surveying FTSE reporting

Contents

People

90% of boards described the mechanisms they used to monitor company culture

For workforce engagement, 46% designated a non-executive director

74% identified employee-linked metrics as KPIs

76% had a principal risk relating to staff turnover or attrition, but only 8% disclosed staff turnover or attrition as a KPI

34% of companies explained clearly why diversity was important to their particular strategy

12% of companies provided a disclosure around workforce objectives relating clearly to ethnic diversity

Company culture

The "bridge" between purpose and people is corporate culture. Principle B of the 2018 Code explains how this should work in practice and the responsibility of the board.

> "The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture."

There is no question for a company applying the Principles of the 2018 Code that purpose must be established and should be supported by well-aligned values, strategy and culture. This Principle is supported by Provision 2, which calls upon the board to "assess and monitor culture", to ensure that "corrective action" is taken where necessary and, in the annual report, to "explain the board's activities and any action taken."

90% of boards described the mechanisms they used to monitor company culture. The most usual of these was the employee engagement survey (76% of companies). This is most useful when companies describe key features of what the survey seeks to understand, whether it is compared to benchmarking data from other organisations, how it is presented to the board and any resulting actions. Other regularly mentioned mechanisms include reports from whistleblowing activity, workforce engagement designated directors, internal audit, and direct engagement activities between directors and staff such as "town halls".

A handful of companies also mentioned obtaining input on culture from customer surveys, supplier feedback, employee turnover rates, exit interviews and a variety of metrics presented by HR to the board. These metrics regularly included people-related KPIs (see below). The additional sources of information were often linked to either an existing or a planned "culture dashboard" to pull together the relevant culture information in one place and enable a more timely and informed review by the board.

Only one company in our survey sample provided a disclosure about resolving an issue of misalignment of culture and purpose. This company provided a case study and described how the lessons learned were shared across the organisation.

Board decision-making process and workforce engagement

Fundamentally, the consideration of employees and the broader workforce begins in the boardroom. The understanding by boards of employees' needs and receiving feedback from them is important to drive appropriate decision-making.

s172(1) statement

As described earlier, all of the companies in our survey described in their s172(1) statement how the directors had taken into account the interests of the company's employees. This illustrates how critical employees are to the long-term sustainable success of the business. Over half of companies not only acknowledged employee issues or concerns but also demonstrated understanding of those concerns, either through extended discussion or by explaining how concerns had been or are being addressed.

In describing employee issues, companies use words that illustrate they are listening – in our survey this included language such as "issues", "concerns", "listening", "hear", "open discussion", "conversation", "informed". Taking action is illustrated through active words, such as "involved", "understand", "introduced", "created" and descriptive phrases, "actions agreed on issues raised". A case study from NEXT plc, below, illustrates consideration of a consultation process and possible impacts on employees of store closures.

Case study – Retail store contract consultation

During the year, the Board considered a number of matters where it was important to be mindful of the interests of employees. One example of this was with regard to a number of store closures considered in the year, where the Board was assured of the Group's approach of seeking to minimise redundancies of affected store staff and, wherever possible, to offer alternative employment in other stores.

A consultation process proposal was also considered in detail by the Board. A key objective of the proposal was to re-set the base contracts in retail stores with the least disruption to all staff. The Board considered the interests of employees, concluding that there would be a reduced overall impact on employees when considered against more disruptive alternatives, and some positive employee benefits in terms of more certainty over working hours to aid the smooth running of stores.

The Board also concluded that, due to the impacts being spread across a geographically dispersed network, there would be minimal impact to customers, local communities and suppliers.

Directors' report statement

From 1 January 2019, companies with more than 250 employees had to expand their disclosures in their directors' report regarding employees to include information around employee engagement.[1] 90% of companies had clearly made the new disclosure in the directors' report, with over half of these deeming it to be of sufficient strategic importance to include the full disclosure within the strategic report itself, and referencing to it from the directors' report. Some companies referred to the corporate governance statement where we saw an increasing volume of disclosures relating to employee engagement at board level, perhaps in response to the requirements of the s172(1) statement.

2018 Code – workforce engagement

For premium listed companies this new directors' report disclosure, as well as the requirements of the s172(1) statement, overlaps with the increased focus of the 2018 Code on workforce engagement mechanisms.

Although only 10% defined their interpretation of 'workforce', all companies identified that they had implemented a workforce engagement mechanism. Of these, just under three quarters had used a mechanism or combination of mechanisms described in 2018 Code provision 5 – a director appointed from the workforce, a formal workforce advisory panel, or a designated non-executive director. The remainder had described an alternative workforce engagement mechanism. The most usual mechanism was a designated non-executive director (46% of companies), with 14% of companies using a formal workforce advisory panel and no companies in our sample electing an employee director.

Informa PLC's chairman defines their workforce and describes both their chosen engagement mechanism of a designated non-executive director, and further ways the directors engage. The priority the board places on this is emphasised by how prominently it is included in the chairman's review of 2019.

> We consider Informa's workforce to be any colleague who works in the Group, whether on a full or part time basis, from an office or from home, and we give consideration to temporary and contract-based colleagues as well as permanently employed colleagues. As shared in last year's Annual Report, Helen Owers is the Non-Executive Director with designated responsibility for colleague engagement, although it remains an important matter for every Board member. During 2019, Helen worked closely with our HR, Communications and Company Secretarial teams to build on the ways in which our Board already engaged within Informa, to better understand the views of our colleagues and to assess the results.
>
> There is no better way to understand the views of colleagues than through meeting people directly, and the Directors continue to build this into their schedules and responsibilities. We continue to rotate Board meetings around Informa's office locations as a way to meet a range of colleagues, and in 2019 we held town hall events in London, Oxford and Hong Kong as part of this programme. The agenda is largely based on an open, ask-any-questions approach and I would like to thank colleagues for the frank and open discussions and for taking the time to participate.

Standard Life Aberdeen plc explains their designated non-executive director workforce engagement mechanism and provides explanation of the methods used to engage with the workforce, how feedback is provided to the board, the key topics of that feedback and how the executive leadership team (ELT) can be asked to take action. This is in line with the FRC's Annual Review of the UK Corporate Governance Code, published in January 2020, which explains that reports should "include details or real examples of what a company has done to consider and if appropriate take forward matters raised by the workforce."

> **Board employee engagement (BEE)**
>
> Melanie Gee is the designated NED to support workforce engagement and during 2019, she has sought to engage from two standpoints – top-down engagement through direct all-employee surveys on key topics and bottom-up engagement from regular meetings with relevant employee representatives.
>
> At these meetings, there is general discussion of engagement themes which have been raised to the various representatives. At each Board meeting, Melanie gives a formal report on the issues that have been raised through both the general discussion and the surveys, and the Board considers how the ELT can be asked to take any specific actions to address the points raised, and agree who is accountable to implement the action.
>
> The general feedback themes which Melanie escalated to the Board during 2019 included the need for continuing focus on comprehensive and quality communications to help employees understand clearly the ongoing transformation activities, and resolving the outstanding practical challenges arising from these activities cost effectively and pragmatically. The ELT, in particular the Chief HR Officer, the Chief Communications Officer and the Chief Operating Officer (COO), have taken forward the points raised.

Although only 10% defined their interpretation of 'workforce', all companies identified that they had implemented a workforce engagement mechanism.

We considered that over half of companies made it clear how employee feedback had influenced the board's decisions, something that BEIS (through their Q&As) and the FRC Guidance expect to be discussed as part of the s172(1) statement.

HSBC Holdings plc discussed real examples of feedback from employees and how the company has responded.

Acting on feedback

Area of focus	Action
Improving trust in speaking up	According to Snapshot, nearly three-quarters (74%) of our people feel able to speak up when they see behaviour that they consider to be wrong, unchanged from 2018. Only 59% said they were confident that if they speak up, appropriate action will be taken. We want more of our people to have confidence in speaking up to their line managers. In 2020, we began a programme to raise awareness about how to speak up about different types of concerns, how concerns are investigated and, crucially, what action we take as a result of concerns being raised.
Raising awareness of mental health	We worked with experts and colleagues to build a bespoke e-learning curriculum accessible to all 235,000 employees, which was delivered in September 2019. We also built and began rolling out additional classroom learning for managers. These were adapted to ensure they work for local cultures and languages.

Employees as a source of value

The FRC Guidance encourages companies to identify and describe their sources of value in their business models, namely those resources and relationships which support the generation and preservation of value. Employees are commonly identified as such a resource or asset, with 74% making this clear in their business model description.

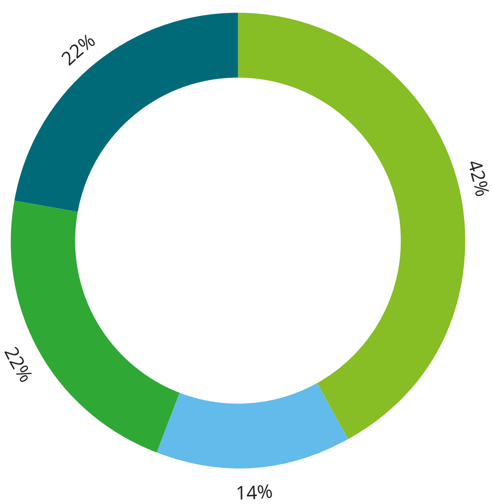
It is important that a company manages, sustains and develops the sources of value, or "capitals" that it relies on. The FRC Guidance requires explanation of actions taken by the company to manage, sustain and develop these sources of value, including those which are intangible such as the workforce. The outcome of this can be described as the value created for those employees.

78% of all companies described in their business model the value that they create for those employees (Figure 3). Half of those that did not describe value created for employees in their business model had recognised them as a key resource upon which the business relied.

There is a clear presumption by companies that, for employees, having a job and being paid is value enough. Those companies quantifying value created for employees cited salaries, wages and employee benefits, with one company also quantifying separately cash payments made to pension plans. Quantification of value in non-monetary terms tended to be the number of employees or an employee engagement score. A handful of companies included the number of new jobs or promotions in the year, or the number of employees trained. While these quantifications are useful, the best disclosures were those that were accompanied by a more detailed narrative description. Some companies described how they sought to provide "a safe and rewarding environment in which to work" or "challenging and rewarding careers for our colleagues."

By describing the effects that companies have on their key resources (both positive and negative), a closer connection cab be achieved between the business model and related outcomes.

Figure 3. How is value created for employees presented in the business model?



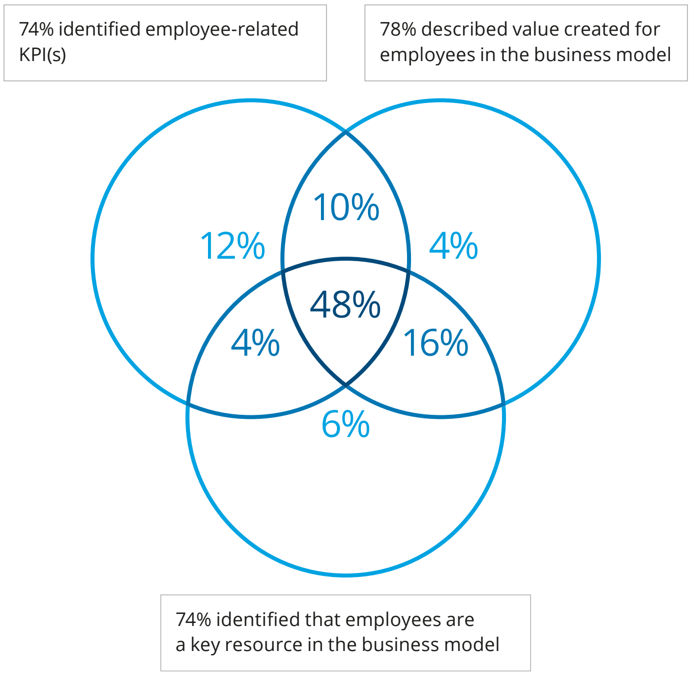
Metrics

Metrics and data form an important part of company decision-making, with broader ESG metrics being a vital part of any balanced scorecard and increasingly being used as a factor in determining directors' remuneration (as discussed in the Profit section). In our survey, many reports made the connection between strategy and performance management by linking each KPI to a specific strategic objective. To enhance communication, companies often made use of icons, with the most effective reporters also providing an explanation of the link between strategy, metrics and targets. Rio Tinto plc linked each KPI to a specific objective within their strategy and to executive remuneration, providing an explanation of those links.

Key performance indicator definition	**Free cash flow** Net cash generated from operating activities minus purchases of property, plant and equipment and payments of lease principal, plus sales of property, plant and equipment.
Strategic pillar	**Portfolio** **Performance**
Relevance to strategy & executive remuneration	This KPI measures the net cash returned by the business after the expenditure of sustaining and growth capital. This cash can be used for shareholder returns, reducing debt and other investment. *Link to executive remuneration* Included in the short-term incentive plan; in the longer term, the measure influences TSR which is included in long-term incentive plans (see page 113).
Associated risks	– Market – Strategic – Financial – Communities and other key stakeholders – Operational and people
Five-year trend	**Free cash flow** $ millions 2015 4,795 2016 5,807 2017 9,540 2018 6,977 **2019 9,158**
Performance in 2019	Free cash flow increased by $2.2 billion to $9.2 billion in 2019, primarily due to the increase in net cash generated from operating activities. This was partially offset by lower proceeds from sales of property, plant and equipment. Capital expenditure was in line with 2018.
Forward plan	We aim to continue our focus on free cash flow generation through the cycle. We expect capital expenditure to be approximately $7 billion in 2020 and $6.5 billion in both 2021 and 2022.

74% of companies indicated in their business model that employees are a key resource to their business. It was good to see the large overlap of these and the companies which identified employee-linked metrics as KPIs. This overlap indicates that companies understand the importance of measuring and managing resources that contribute to the company's broader value creation. 78% described in their business model the value created for employees by the company (see above). However, there was some mismatch between identifying employees as a key resource, measurement and explanation of value created, as illustrated in Figure 4. This may have arisen from inconsistent thinking or disclosure.

Figure 4. Connectivity between employee-related KPIs and value creation



Some of the companies clearly recognising the importance of their employees by citing them as being a key asset or resource in the business model and describing the value they created for them, did not appear to consider any related metric they may track as being 'key'. Indeed, six of these companies disclosed an employee-related principal risk, so it was surprising not to see disclosure of a related KPI through which that risk is monitored.

Conversely, where reports include an employee-related KPI (which is, presumably, monitored by the board), but do not identify employees as a material asset or stakeholder group in their business model, it raises questions as to whether the KPIs disclosed are really 'key' or perhaps whether the business model disclosures are complete.

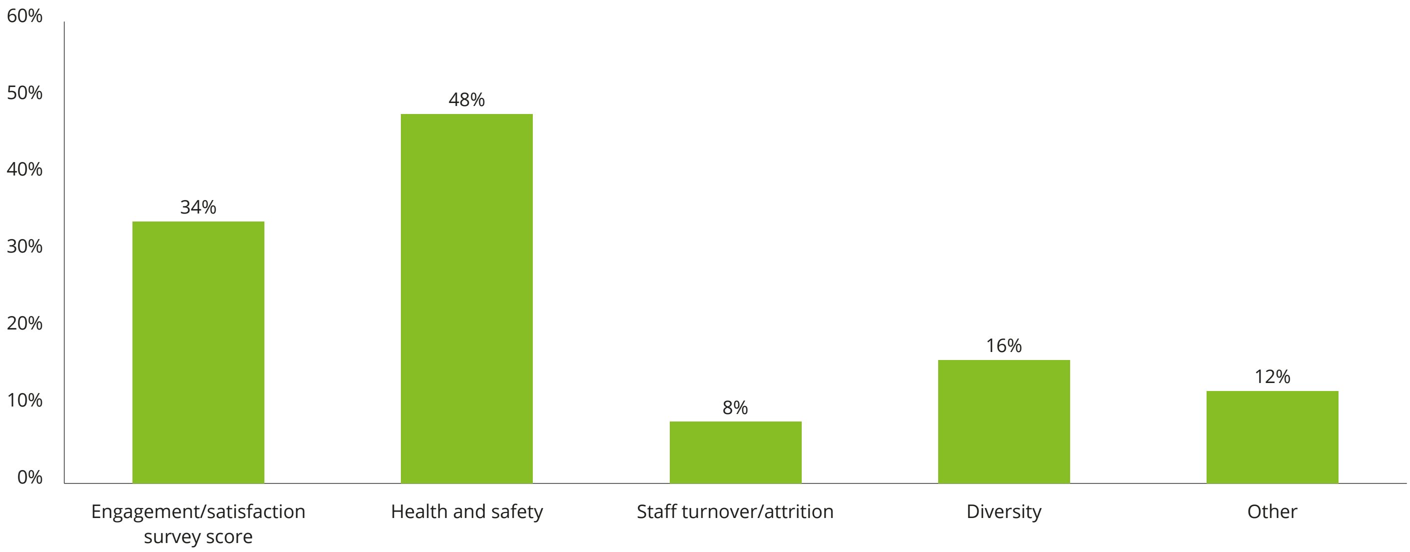
The linkages we are describing – between employee-related KPIs and identification of employees in the business model – are good examples of connectivity within the annual report, which is encouraged throughout the FRC Guidance. It is also a legal requirement for the strategic report to include, within its fair review of the business, analysis using financial and non-financial KPIs to help indicate how effective policies and processes are and to measure progress against strategy.

Health and safety metrics were the most common of these employee-based KPIs. Measurement of these varied from being employee-centric (such as number of accidents recorded) to having more of an operational and implicit financial focus (such as number of lost hours).

Although quoted companies have been required to disclose gender split information since 2014, the focus on diversity-related KPIs (whether gender diversity or other) by some companies was good to see. Most of these KPIs measured gender diversity, either of the whole workforce or else of a sub-section of senior management. Consideration of diversity in the boardroom is explored in more detail below.

Most strategic reports included additional detail and further employee-related metrics that were not necessarily considered 'key' as part of their broader discussion on ESG matters. It is important for companies to identify KPIs and other metrics which are directly relevant to their strategy and business model, and meaningful for their own assessment of performance.

Figure 5. How many companies have employee-related KPIs relating to the following



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Move towards global standards for ESG metrics

Many investors and other stakeholders are calling for further comparability between companies, especially on metrics. This is leading to calls for action to develop global standards for ESG metrics. Recently, in response, the five leading sustainability standard setters have published a statement of intent to work together to achieve a coherent and comprehensive corporate reporting system.[2] Investors and others have publicly stated that they wish the IFRS Foundation to establish a sustainability reporting standards board parallel to the IASB.

In the absence of global standards, consistency and comparability can be increased by using common metrics and approaches. The World Economic Forum's International Business Council (IBC) has proposed a common, core set of metrics that cover a range of themes and disclosures on sustainable value creation, linked to the Sustainable Development Goals (SDGs), that can be used within mainstream reporting. The US-based Sustainability Accounting Standards Board (SASB) has published standards covering sustainability accounting metrics on enterprise value creation for 77 industries which are deemed material to that industry group. The metrics cover topics on human capital and the broader workforce.

Adoption of these approaches by companies helps to accelerate moves towards global standards. Further, Larry Fink, CEO of Blackrock, and other investors have called for companies to adopt both TCFD and SASB.

However, when considering disclosure of common metrics, companies should also consider which are material and relevant, to the board's decisions and relevant to the decisions of users.

In our survey, three companies referred to SASB's materiality maps and one referred to both SASB standards and the WEF ESG metrics in relation to improving its own broader ESG risk reporting. However, none of the companies in our sample explicitly referred to either the SASB or the IBC metrics in their annual report. Despite this, we considered that over half of all companies were using employee-based KPIs that were broadly in line with those suggested by SASB or the IBC.

Non-financial information statement

This is the third reporting season that quoted companies with more than 500 employees have been required to include a non-financial information statement (NFI statement) in their strategic report. The NFI statement requires, among other items, a description of policies in relation to certain matters including employees, detail of any due diligence over those policies and the outcome of those policies. The NFI statement continues to be an area of FRC focus, being cited specifically in its letter to Audit Committee Chairs and Finance Directors in October 2019.

Disappointingly, only 88% of reports included an identifiable NFI statement (2019: 72%), despite the FRC stating in its Annual Review of Corporate Reporting 2018/2019 that it will continue to challenge companies whose disclosures in this area appear to fall short of the requirements, which include the requirement to present this information in a separately identifiable statement.

Those statements that were published varied in usefulness, as we have noted in previous years. The most useful NFI statements clearly identify the matters needed to be disclosed, name the relevant policy and provide an accurate and specific cross-reference to the pages where the policy is described.

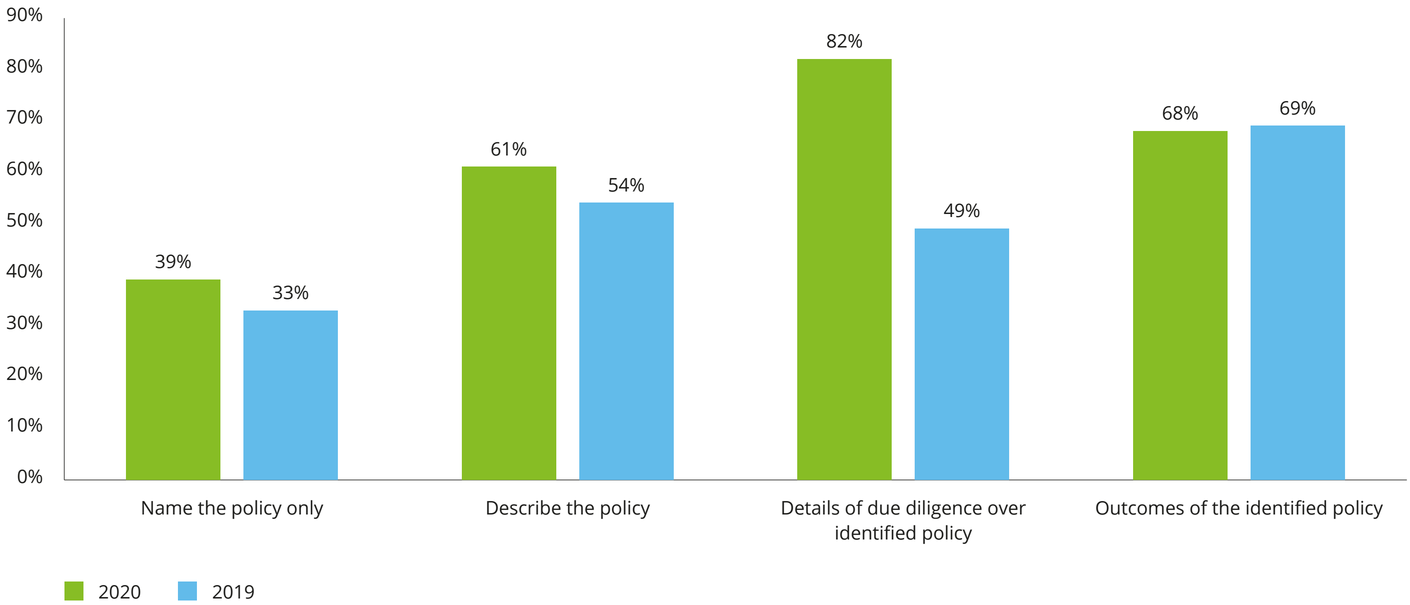
The NFI statement disclosed by OneSavings Bank plc included significant detail, including descriptions of multiple policies, an overview of relevant due diligence undertaken, the outcomes of the policy and a cross-reference to further information in the report.

Non-financial information statement

In the 2019 Annual Report, OSB Group has addressed the requirements of sections 414CA and 414CB of the Companies Act 2006 relating to non-financial reporting. The table below summarises key disclosure requirements and provides references to where further information can be found, which taken together form the 2019 Non-financial information statement.

Policies	Due diligence	Outcomes/impact	Section within the Annual Report
Environmental matters			
Description inc. objectives OSB's Environmental Policy sets out commitment to reducing our environmental impact and to continually improve our environmental performance as an integral part of our business strategy. This policy seeks to ensure that we meet or exceed all relevant environmental obligations under law and regulation.	**How reviewed and by whom and how frequently** The policy is approved annually by the Group Nomination and Governance Committee. It has an accountable executive and it is reviewed by the Group Executive Committee before Board Committee approval.	**What actions were taken/ outputs of actions** There are ongoing initiatives, which are described in this corporate responsibility report. This is part of an ongoing and developing set of environmentally focused actions. The actions have resulted in outcomes during 2019 such as reduced single use plastic consumption.	Corporate responsibility report, **see page 84.**
Employees			
Description inc. objectives The Flexible Working Policy outlines the approach of the Group to support flexible working for its employees. This is designed to improve engagement among staff and is also now an important recruitment offering.	**How reviewed and by whom and how frequently** The Chief Financial Officer is the accountable executive for the Group's employee policies. The Group's Governance Forum reviews these policies annually and they are approved annually by the Group Executive Committee.	**What actions were taken/ outputs of actions** The application of the Flexible Working Policy is managed by HR, who ensure consistency in its application. HR also report regularly to the Executive Committee on the take-up of flexible working arrangements in the Group.	Corporate responsibility report, **see page 82.**
The Diversity and Inclusion Policy confirms the Group's commitment to encourage and promote diversity, equality and inclusion, and promote a culture that actively values difference and recognises that individuals from different backgrounds and experience can bring valuable insights into the Group and enhance the way in which we work.	There is an accountable executive for the Diversity and Inclusion Policy. The Group Executive Committee reviews this policy annually and they are approved annually by the Group Nomination and Governance Committee.	Gender diversity is regularly measured and reported in the organisation and externally. Hiring and promotion processes are monitored to ensure suitable male and female candidates are presented for all roles. This has resulted in more gender balanced hiring and recruiting decisions. Both OSB and CCFS have achieved external disability confident recognition. The Group will continue to work on promoting diversity and inclusion across a broader range of measures in the future.	Corporate responsibility report, **see page 81.**
The Health and Safety Policy ensures that the Group complies with legislation to protect its employees and customers and provide a suitable and safe environment for customers, employees and anyone affected by the Group's operations.	There is an accountable executive for the Health and Safety Policy. The Policy is reviewed annually by the various Committees and approved by the Board.	Health and safety statistics are reported to the Board on a regular basis through the year. Annual health and safety training is completed by all employees. The Group also conducted a review of the entire real estate portfolio in 2019, which resulted in actions to continue to improve employee health and safety.	Corporate responsibility report, **see page 81.**

Figure 6. Which elements of the NFR Regulations relating to employees were identifiable?



All companies that included an NFI statement this year either named or clearly described at least one employee-related policy, often health and safety, or a code of conduct.

For those companies disclosing an NFI statement, we sought to identify relevant policies, due diligence and outcomes of those policies relating to employee matters.

All companies that included an NFI statement this year either named or clearly described at least one employee-related policy, often health and safety, or a code of conduct. A handful of companies continue to name their policies but refer to their website for descriptions of those policies (rather than clearly describing them in their strategic report), despite the FRC explicitly stating that it is not sufficient to refer to information disclosed elsewhere (such as websites) to meet these disclosure requirements.

There was a marked increase in descriptions of due diligence over those policies named or described, likely due to a combination of improved cross-referencing from the NFI statement, (in recognition of the FRC's focus) and disclosures around workforce generally improving or becoming more detailed as a result of the 2018 Code (such as the notable increase in discussions regarding whistleblowing).

Due diligence activities on employee-related policies commonly include monitoring of relevant metrics either by management or at a board level, and board-level review of whistleblowing reports. Assurance is also obtained over related information or processes by some companies, either by internal audit or external assurance in line with recognised standards.

Determining what the outcome is for a particular policy can be difficult if it is not either explicitly cited in the report or obvious (such as accident rate metrics for a health and safety policy). Where companies cited codes of conduct (policy) and whistleblowing mechanisms (due diligence), they rarely stated the outcome of that policy, such as the number of whistleblowing reports made or otherwise acted upon, or number of disciplinary actions relating to the code. One company stated that it was working on a "people dashboard" to collate and manage employee data, implying this was not yet readily available.

Diversity and inclusion

Under the 2018 Code, companies are required to report annually on their diversity policies, including and going beyond gender. Principle J calls for board appointments and succession plans to "promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths." Diversity must also be featured in the annual board evaluation under Principle L. This is explored in several of the more detailed provisions. Notably, Provision 23 asks companies to describe the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives.

In September 2018, the FRC published Board Diversity Reporting, which encouraged companies to treat diversity as an issue of strategic importance and provide more insightful reporting on diversity and inclusion. Although all companies in our survey sample acknowledged the importance of diversity in the organisation, only a third went beyond positive words to explain clearly why diversity was important to their particular strategy.

Anglo American plc (pictured right) draws out why it believes diversity supports the Group's purpose and contributes to its strategy; it also explains how the Group, engages with historical gender imbalance in the mining industry and explains the Group's targets to address that imbalance.

Savills plc (pictured below) explains its strategic approach and details how it focuses on different aspects of diversity and inclusion, going beyond gender alone, its objectives and how they are implemented and examples of activities and progress.

Having the best minds and inclusive leadership are crucial to finding innovative and sustainable solutions to business challenges and to embedding a high performance culture. This means drawing from the widest available talent pool, and leveraging their complementary skills and attributes to achieve breakthrough outcomes.

Our Inclusion and Diversity (I&D) strategy is a critical foundation of our Purpose of *re-imagining mining to improve people's lives*, supporting us in creating a work environment where each of our people is afforded the opportunity to realise their full potential.

Tackling gender imbalance

Historically, in the mining industry, women have been under-represented at all levels, particularly in senior roles. We are steadily redressing that: over the past three years, the proportion of women at senior management levels across the Group has increased from 15% in 2016 to 24% in 2019. Our target is to exceed 25% by the end of 2020 and aim to reach 33% by 2023.

Inclusion and Diversity

We look to create an inclusive culture in which difference is accepted and valued. We believe that our inclusive approach gives us a competitive advantage and underpins the success of our business by giving us the ability to select our people from the highest quality individuals in the widest available pool of talent.

As an organisation committed to diversity in its workforce, we will continue to strengthen our policies, processes and practices to develop our diversity and inclusion plans within the Group's markets and geographies, in alignment with our corporate goals. We will continue to endeavour to improve the representation of women at Board and senior levels within the organisation and to sustain an inclusive culture in which all talent can thrive.

Our Strategic Approach

Our commitment is to promote on merit regardless of any other factors, creating equal opportunities for career progression and ensuring that every single person within the Savills Group has a sense of belonging.

Savills policy is to embrace diversity and provide a platform and a supportive environment for everyone to be the best they can be.

We are committed to developing a culture of inclusivity and diversity within the property profession with six key areas of focus: gender, disability, LGBTQ+, socio-economic, ethnicity and age. We have led on this with our programme in the UK, and our Diversity Group in the UK is now in its fifth year and continuing to develop our programme across the Group. The main objective is to highlight the diversity of our business and ensure that we are communicating clearly and effectively about our people and our clients:

Area of Focus	Objectives	Implementation	Examples of progress on achieving objectives
Age	Encourage a wider age profile within the property industry by focusing on ensuring that appropriate support is available and offered at all stages of an individual's career	▪ Flexible Working ▪ Improving Internal Communication of existing and new policies ▪ Promoting Mentoring and Rewarding Loyalty ▪ Ensuring that policies and support are offered for Working Carers	▪ We support a significant number of people flexibly for different reasons to accommodate personal and professional requirements ▪ In the UK, 'Making your Mentoring programme relevant for the modern workplace' Savills has adopted a flat mentoring scheme for many years, allowing both mentor and mentee to benefit from their involvement. A recent trial within the UK business has also seen employees matched with colleagues in the same division, who are just slightly further along in their careers, to allow for similar experiences to be shared
Disability	Ensure all staff feel included and supported regardless of any disability (discernible or hidden). We want to highlight the benefits of having a business that is aware of and understands the needs of employees, clients, tenants, visitors and all those that interface with Savills that have any form of disability	▪ Raising awareness through supporting internal and external events ▪ Implement compulsory diversity and equality awareness training across the business ▪ Engaging with a number of professional bodies and diversity groups and will ask for their assistance and expertise ▪ Removing the stigma – promote awareness of mental health issues	▪ We are committed to being a Valuable 500 business, which is a pledge to encourage 500 companies across the globe to sign up and agree to be more inclusive in terms of disability ▪ Savills achieved certification as a Disability Confident Committed Employer (Level 2) in the UK
Ethnicity	Increase the ethnic diversity of people working within Savills and the wider property industry by embracing a rich, diverse cultural mix to promote inclusion and engagement between all staff and clients	▪ Ensuring zero tolerance of harassment and bullying ▪ Making equality in the workplace the responsibility of all leaders and managers ▪ Taking action that supports ethnic minority career progression	▪ Savills has signed up to the Race at Work Charter, an initiative designed to improve outcomes for Black, Asian and Minority Ethnic (BAME) employees in the UK ▪ Our US Building Inclusivity and Diversity Group regularly hosts speaker and panel-discussion events for our employees and clients to encourage awareness and constructive dialogue regarding diversity and inclusion. We recently hosted at the Smithsonian Institution's National Museum of African American History and Culture in Washington, DC, was attended by clients and staff. The event included a programme of speakers who shared current initiatives and best practices for raising awareness for diversity and inclusion at their companies
Gender	To create a strategy that provides an equal and fair platform for everyone to be the best they can be	▪ Continue to ensure that our training fully supports our approach to diversity and inclusion ▪ Relaunched our gender equality and unconscious bias training, to further raise awareness of diversity	▪ We are working hard to redress our balance of men and women in more senior roles through a number of initiatives ▪ Our 'Women in Leadership positions', determined in accordance with the Hampton-Alexander Review criteria, was 22.5% as at 31 December 2019. Whilst this progress reflects our commitment to improve diversity, in a sector where historically there has been a shortage of women leaders, we fully acknowledge that we need to remain focused into the medium term on further improving diversity ▪ We will continue to evolve our approach to meet the needs of our clients and people
LGBTQ+	Embrace diversity and provides a platform and a supportive environment for everyone to be the best they can be Improve lesbian, gay, bi and trans (LGBTQ+) inclusion in the work place	▪ Raising Awareness ▪ Recruit and Retain best people	▪ Savills plc and Savills UK improved 137 places in the 2019 UK Stonewall Workplace Equality Index. We hope to continue to improve on this in 2020
Socio Economic	Create a strategy that provides an equal and fair platform for everyone to be the best they can be regardless of their socio economic background	▪ Creating a workplace that provides an equal and fair platform for everyone to be the best they can be regardless of their socio economic background ▪ Increasing diversity of talent pool ▪ Inspiring the next generation to consider property for their career	▪ In the UK, Savills with Schools initiative now in place across 26 regional offices, to date the business has engaged with over 5,000 pupils ▪ Founding sponsor of Rethink Food, providing vertical farming towers in primary schools in the UK ▪ Supporting London based charity, The Big House, which works with care leavers who are at a high risk of social exclusion by providing a platform to participate in the making of theatre

Gender diversity

Since 2010, gender diversity in the boardroom has been a focus of government and regulators, with increasing attention from investors who have established minimum expectations for board roles to be taken by women. The targets are voluntary, however many boards have adopted targets for board diversity. In our survey, half of the companies stated targets for gender diversity on the board, and a handful of these extend the diversity targets to executive board or equivalent levels of senior management.

58% of companies clearly met the 2018 Code requirement to disclose the proportion of women on the executive board and their direct reports; a few others had less specific disclosures about the proportion of women in management, where it was not possible to tell whether the disclosure was meant to answer the Code requirement in Provision 23.

We looked for companies to have both objectives in respect of gender diversity and specific activities that they undertook to work towards those objectives. 28% of companies included disclosure around activities undertaken to increase gender diversity at board level. These activities largely related to succession planning, implementation of gender balanced shortlists and use of recruitment firms that are signed up to the Voluntary Code of Conduct on gender diversity.

36% of companies disclosed activities towards building gender diversity at senior leadership level. In addition to the activities used for the board, this included attention to recruitment processes more broadly, mentoring and career development programmes, and incorporating diversity goals into balanced scorecards for individual evaluations.

In the workforce more broadly, companies talked about implementing diversity leadership groups to identify actions, training on diversity and inclusion, focus on hiring practices and evaluation, mentoring programmes, employee-led diversity networks and other activities to promote the company as a place that welcomes diversity. In all, 74% of companies disclosed a variety of activities, almost all of which focused on a range of aspects of diversity rather than gender alone. Below board level, we noted that many of the activities companies disclosed could be beneficial both for objectives on gender diversity and for other aspects of diversity.

Rightmove plc explained its diversity and inclusion activities, including mentoring, training in conscious and unconscious bias and focus on recruitment activities.

Balance for all

- Offering a range of family-friendly and agile working policies to both men and women. These include workshops to women before, during and after maternity leave to help us retain talent. We also offer workshops to all employees to help consider how best to balance work and family life.
- We have successfully delivered a 'Thoughtful Leadership' programme to tackle both conscious and unconscious bias and have launched a follow-up programme to enhance the learning (detailed in the development and training section).
- To support our commitment to providing a diverse thought culture we have hosted a series of 'Mentoring Circles' with external keynote speakers (detailed in the development and training section).

Addressing imbalance

- We are participants in the 30% Club cross company mentoring programme. This supports our aim to bring more talent diversity into senior manager roles. We have eight females participating from varying career stages. We match this with an equivalent number of mentors from our senior leadership team to mentees from other participating organisations.
- We continuously review all job specifications and our interview process to ensure universal appeal and fair progression for all to ensure we attract the best talent.
- We ask our recruiting partners to provide for a 50/50 shortlist at candidate stage. Where this is not possible, we seek to understand how it can be achieved. We aim for 50/50 gender representation through the interview process.
- Our internal talent pipeline provided role changes and promotion opportunities for 43 people between April 2018 and April 2019, with 42% of these being female.

Ethnic diversity

Companies in the UK have been encouraged over several years not only to implement comprehensive diversity and inclusion policies, but to focus on BAME diversity as well as gender diversity.

There have been two recent initiatives, one being Baroness McGregor-Smith's independent review of issues faced by businesses in developing black and minority ethnic talent, and the other being the Parker Review on diversity in the boardroom, which reported in October 2017, making recommendations in three key areas: increasing the ethnic diversity of UK boards; developing candidates for the pipeline and plan for succession; and enhancing transparency and disclosure. Although under the 2018 Code, companies should in any event report on diversity beyond gender, these reviews offer suggestions for constructive disclosure that provide opportunities for company reports to differentiate themselves on ethnic diversity.

Since the annual reports in our survey sample were published, there has been an urgent focus on addressing historical inequalities, with recognition by businesses and society that systemic change is necessary. The Black Lives Matter movement has been a catalyst.

Although half of companies identified board-level targets relating to gender diversity, only a minority of those companies also identified targets relating to ethnic diversity. Most of those targets echo the Parker Review in aiming for one BAME board member by 2021. 12% of companies provided a disclosure around workforce objectives relating clearly to ethnic diversity although there was little discussion of supporting activities.

Marks and Spencer Group plc explained its target to appoint a director from an ethnic minority background and its goal to widen the pool of available talent to the board, including ongoing consideration of using open advertising.

Appoint at least one director from an ethnic minority background to the Board by 2021.

With regard to the recommendations of the Parker Review Committee, the Board has been committed to achieving ethnic diversity on the Board as well as gender diversity. With the appointment of Sapna Sood in June, this target will be met.

Consider candidates for appointment as non-executive directors from a wider pool including those with little or no previous FTSE board experience.

During the year, the Nomination Committee discussed non-executive director appointments and succession. It worked closely with executive search agencies in compiling long and short lists of candidates from various backgrounds and industries. Candidates were identified, interviewed and measured against pre-determined criteria. Although we do not currently openly advertise our non-executive director positions, we keep this under review.

Principal risks related to employees

The importance of the workforce on the ability of companies to create value is evident, with 90% identifying an employee-related principal risk. Those companies without such a risk were from a variety of industries. Eleven companies (22%) disclosed an employee-related principal risk, which would presumably have a material impact upon the business should it crystallise, although had not identified employees as being a key resource in their business model disclosure (see above), calling into question the completeness of the business model disclosure.

Figure 7. What did employee-related principal risks relate to?

Health and safety	60%	Although a risk for over half of all companies, fewer (48%) disclosed a corresponding metric as a KPI. For the most part these risks refer to employee safety, but some companies also include the safety of their customers or end consumers within the scope of this risk.
Staff turnover/attrition	76%	76% of companies had a risk relating to staff turnover or attrition, often including reference to the ability to retain skilled workers. Interestingly only 8% of companies disclosed staff turnover or attrition as a 'key' performance metric (see above).
Defined benefit pension	4%	Only a couple of companies identified the risk around defined benefit pension schemes to be a principal risk, reflecting a continued downwards trend compared to five years ago (22%).
Workplace culture	14%	The 2018 Code links company culture to the long-term success of the company. Three companies citing this risk are from industries where regulators are particularly focused on ethics, so it was good to see a broader range of companies clearly thinking about the risk that a failure in their culture could have a material impact on the business overall.
Other	38%	Other employee-related principal risks included compliance with relevant laws and regulations and the level of skill of the workforce.

What to watch out for

- [ ] When describing the mechanism used for workforce engagement, be sure to include details or real examples of how the company has considered and actioned (where appropriate) matters raised by the workforce.

- [ ] Consider the connectivity between different disclosures. If employees are a key resource to the business, identify them as such in the business model, explain the actions taken to manage, sustain and develop employees, describe the value created for them, link to any relevant principal risks and any KPIs measuring relevant impact of those risks.

- [ ] Investors are keen to compare companies' performance with one another more easily. In reviewing the KPIs disclosed, consider whether those chosen by the board are in line with industry recommendations and practice.

- [ ] Remember to include the NFI statement and consider how user-friendly and informative it is. Identify the names of relevant policies and cross-refer accurately to specific pages of the annual report where descriptions of those policies, due diligence and outcomes can be found.

- [ ] When discussing diversity, be sure to explain clearly why it is important to company's strategy. This provides more insightful disclosure and avoids the implication of merely paying lip-service to this hot topic.

- [ ] Government, regulators and investors are looking closely at annual report diversity disclosures including whether they extend beyond gender. Investors are using this information to influence voting intentions. It is worth going beyond basic disclosure to give real insight into your company's approach.

- [ ] There are multiple disclosure requirements around employees and the broader workforce in the strategic report, the directors' report and the corporate governance statement. Be mindful of the overlap of content between the requirements and the FRC's principle of a strategic report being concise. Utilise opportunities to remove duplication and cross-refer to another part of the report instead.

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

Endnotes

1. As required by Acc Regs Sch. 7: 11(1)
2. The statement of intent signed by CDP, CDSB, GRI, IIRC and SASB can be found at: https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf

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