

COMPANY SECRETARY'S CHECKLIST 19/20

The annual report of a listed company



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New rules – New content requirements for new or revised Remuneration Policies

A listed company that proposes a new Remuneration Policy or any amendment to an existing Remuneration Policy at its 2020 AGM must ensure that the proposed document has been drafted with reference to the recommendations of the FRC’s “UK Corporate Governance Code” (July 2018) and that it complies with the new content requirements as prescribed by both The Companies (Miscellaneous Reporting) Regulations 2018 and The Companies (Directors’ Remuneration Policy and Directors’ Remuneration Report) Regulations 2019. The statutory changes which require, among other matters, an illustration of share-price appreciation, disclosure of the remuneration decision-making process, information on vesting and holding periods for share-based remuneration, and an indication of the duration of directors’ service contracts, are set out on page 188 of this document.

New guidance – GC100 and Investor Group’s “Directors’ Remuneration Reporting Guidance 2019” (July 2019)

The GC100 and Investor Group updated its guidance on remuneration reporting during the year. The revisions to the guidance are designed to assist listed companies in complying with the new statutory provisions set out in The Companies (Miscellaneous Reporting) Regulations 2018 and, to the extent that they apply this year, The Companies (Directors’ Remuneration Policy and Directors’ Remuneration Report) Regulations 2019. Extracts from the GC100’s guidance on the applicable areas of reporting have been set out under the new statutory requirement in the “Remuneration Report” section of this document.

New guidance – The Investment Association’s “Principles of Remuneration” (November 2019)

The Investment Association updated its “Principles of Remuneration” during the year. The Remuneration Principles are designed to provide a practical framework and reference point, both for investors in reaching voting decisions and for companies in deciding on their Remuneration Policies and their subsequent implementation. Reporting teams should take account of this year’s key changes and reflect on the other issues highlighted by the Association as being of specific concern to investors this year, including in particular the approach taken to executive pension contributions. Further information can be found on page 193 of this document.

FINALISING AND PUBLISHING THE ANNUAL REPORT

New rules – Website availability of the Remuneration Report

The government has published new regulations amending the existing remuneration reporting framework to implement certain requirements of the EU Shareholder Rights Amending Directive as it relates to remuneration. As a result, a listed company will now be required to ensure that its Remuneration Report that it is required to post on its website in 2020 is made available for a period of ten years. Most listed companies will already have adopted this practice in light of the existing DTR 4 requirements which require that the Annual Report be publicly available (albeit not necessarily on a website) for the same period. Details are set out on page 273 of this document.

ANNUAL GENERAL MEETING

New rules – Resolution to approve Remuneration Policy where previous resolution defeated

A listed company that proposed a vote on its Remuneration Policy at an AGM held on or after 10 June 2019 or at any subsequent meeting and did not obtain shareholder approval of such policy (and has not obtained such an approval since) must propose another binding resolution on its policy at the 2020 AGM. This new 2006 Act requirement is the result of the transposition into UK law of certain remuneration-related requirements of the EU Shareholder Rights Amending Directive. Details are set out on page 284 of this document.

New rules – Website availability of results of shareholder vote on Remuneration Policy

As part of the government’s implementation of the EU Shareholder Rights Amending Directive, a listed company that obtains shareholder approval of its Remuneration Policy at the 2020 AGM is required to publish the date and results of the shareholder vote on its website as soon as reasonably practicable. Most listed companies that opt for poll voting are already required by statute to provide broadly equivalent information on their websites, albeit for a shorter period. Details are set out on page 283 of this document.

INTRODUCTION

In Part One of this document, we summarise the disclosure requirements applicable to the 2019 Annual Report, focusing on key changes since last year and noting other significant developments in reporting. We draw attention to the findings and conclusions of the Financial Reporting Council following its most recent review of corporate reporting, and we also refer to additional best practice guidance and publications issued on the contents of the Annual Report which you may choose to consider alongside the mandatory requirements.

MANDATORY DISCLOSURES

The mandatory disclosure requirements are contained in:

- the Companies Act 2006 (as amended);
- the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended);
- the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 (as amended);
- the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014;
- the Capital Requirements (Country-by-Country Reporting) Regulations 2013;
- the FRC's UK Corporate Governance Code (July 2018);
- the FCA's Disclosure Guidance and Transparency Rules; and
- the FCA's Listing Rules.

VOLUNTARY DISCLOSURES

This document also includes commentary on our view of the material aspects of “best practice” guidance relating to the contents of an Annual Report contained in, among others, the following publications:

- the Chartered Governance Institute's “Review of the effectiveness of independent board evaluation in the UK listed sector” (May 2019);
- the European Securities and Markets Authority's “ESMA Guidelines on Alternative Performance Measures” (October 2015);
- the FRC's “Annual Review of Corporate Reporting 2018/2019” (October 2019);
- the FRC's “Board Diversity Reporting” (September 2018);
- the FRC's “Guidance on the Strategic Report” (July 2018);
- the FRC's “Guidance on Board Effectiveness” (July 2018);
- the FRC's “Guidance on Audit Committees” (April 2016);
- the FRC's “Guidance on Risk Management, Internal Control and Related Financial and Business Reporting” (September 2014);
- the FRC Financial Reporting Lab's project report on “Climate-related corporate reporting – Where to next?” (October 2019);
- the FRC Financial Reporting Lab's project report on “Disclosure on the sources and uses of cash” (September 2019);
- the FRC Financial Reporting Lab's project reports on “Reporting of performance metrics” (June 2018) and “Performance metrics – Principles and practice” (November 2018);

THE ICSA AWARDS 2019 – ANNUAL REPORT OF THE YEAR

The ICSA Awards aim to encourage better corporate governance through improved disclosure in narrative reporting. The annual awards presentation seeks not only to reward “best in class” disclosure, but also to increase the levels of trust and confidence in governance arrangements and encourage more effective shareholder engagement.

Set out below are some of the key elements that the ICSA Awards 2019 judging panel stated that it specifically looked for when judging the “Annual Report of the Year” category at this year’s awards ceremony. The names of the FTSE 100 and 250 winners of that category for 2019 (and other shortlisted candidates) are shown below for reference.

Best Annual Report	
The best Annual Reports:	
-	establish clear and relevant links between strategy, risk, KPIs, sustainability and remuneration;
-	provide insight into how the board works, including how it manages risk, its approach to diversity (including gender), and attempted engagement with shareholders;
-	are an interesting and enjoyable read, and easy to comprehend;
-	set the tone from the top and accurately describe the board’s work in providing leadership and oversight;
-	provide an honest “warts and all” appraisal of the year, with no material information omitted; and
-	make intelligent and helpful use of photos and graphics, and judicious use of case studies.

The ICSA Awards 2019 – FTSE 100: “Annual Report of the Year”	
<i>Winner:</i>	Taylor Wimpey plc
<i>Other shortlisted candidates:</i>	Legal and General Group Plc
	SSE plc
	Vodafone Group Plc
	Glencore plc
The ICSA Awards 2019 – FTSE 250: “Annual Report of the Year”	
<i>Winner:</i>	Hammerson plc
<i>Other shortlisted candidates:</i>	Derwent London plc
	Great Portland Estates plc (Highly commended)

The Chartered Governance Institute’s view of best practice for the other corporate reporting categories that comprise the ICSA Awards and the 2019 award winners and other shortlisted candidates are included in this document as follows:

“Strategic Report of the Year”	113
“Stakeholder Disclosure of the Year” (New for 2019)	113
“Risk Disclosure of the Year”	114
“Board Disclosure of the Year”	158
“Board Evaluation Disclosure of the Year” (New for 2019)	158
“Audit Disclosure of the Year”	159
“Remuneration Report of the Year”	205
“Sustainability Disclosure of the Year”	260
“Gender Pay Gap Reporting of the Year”	260

Accordingly, a listed company should consider the merits of including a coherent elucidation of its culture in its reporting this year. This will also serve to reinforce the board's commitment to, and promotion of, a healthy corporate culture, setting the "tone from the top". Good disclosure is likely to describe how the core company values identified have generated a series of specific behaviours that the board wishes to promote. It will show how those behaviours have been embedded across all levels of the business and how they drive working practices that are consistent with the company's purpose (including any broader social purpose). It will show how the behaviours constitute a valuable asset affording the business a competitive advantage, and, ultimately, how they drive the company's success over the long term. Disclosing information about the company's culture may also assist in demonstrating how the directors have discharged their duty for the purposes of the new Section 172(1) Statement and, particularly, how they have had regard to the desirability of the company maintaining a reputation for high standards of business conduct.

This year's Annual Report will need to include specific disclosures (on a "comply or explain" basis) of the board's activities on culture as recommended by Code Provision 2. Such disclosures should be framed by reference to the culture that the board is aiming to promote, that is to say a "warts and all" appraisal of the culture as it exists, accompanied by the outcomes, actions and measures taken to align the culture more closely with the company's core values, purpose and strategy. Effective reporting on culture will chart the company's "cultural" journey. That is a journey without a final destination, meaning that reporting is likely to be an annual demonstration of how the business is evolving over time to ensure that its culture moves closer to its founding values.

The board's assessment of culture will not be sufficiently meaningful unless it is underpinned by a suitable set of clearly defined metrics, together with an explanation why such metrics have been selected and what they show. The FRC has provided its own insight into the assessment of culture. This includes the identification of benchmarks of a healthy culture, common areas indicative of a wider culture problem and sources of insight from which boards might extract key information to test the "cultural temperature" of the business, noting the importance of drawing from a variety of sources to provide a more accurate and representative picture of the company's culture. The FRC's considerations on monitoring culture can be found at paragraphs 21 to 26 of the FRC Guidance on Board Effectiveness.

For the purposes of this document, the Code Provisions on culture have been included in the Strategic Report section given the interplay between culture, purpose, business model and strategy. However, reporting teams may choose to locate their assessment and monitoring disclosures elsewhere in the Annual Report, particularly where that task is delegated to a board committee that reports separately on its activities. Use of cross-referencing may assist in ensuring that culture disclosures are coherent and joined up across the entire Annual Report.

SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT

This year, for the first time, a listed company must ensure that its Strategic Report includes a statement describing how its directors have had regard to the matters set out in section 172(1)(a) to (f) of the 2006 Act when performing their duties under that section. Section 172 is set out in full at the start of this section of the document. The new 2006 Act requirement at section 414CZA(1) (implemented by the Companies (Miscellaneous Reporting) Regulations 2018) applies to all UK companies required to prepare a Strategic Report (other than those that qualify as medium-sized). The reporting obligation fulfils, in part, the government's commitment to strengthen the "stakeholder voice" in the boardroom by ensuring a more comprehensive understanding of a company's key relationships with a broad range of interested groups and a proper consideration of external perspectives which will, ultimately, help drive that company's success over the long term.

The Section 172(1) Statement is supported by Section 1 of the 2018 Code which also applies to a listed company for the first time this year. Specifically, Code Principle D recommends that "[I]n order to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties", while Code Provision 5 calls for boards to understand the views of key stakeholders and describe in the Annual Report how the interests of those stakeholders and the matters set out in section 172 have been considered in board discussions and decision-making.

Structure of the Section 172(1) Statement

- **Separate statement** – In its BEIS Miscellaneous Reporting Q&A Paper, the government confirms that the Section 172(1) Statement should be a separately identifiable statement within the Strategic Report. This is to ensure that shareholders and wider stakeholders are clear as to how the directors have performed this aspect of their statutory duty. In practical terms, companies should ensure that their statements are presented in such a way that they are easy to locate by users of the Annual Report. Reporting teams might consider the use of a clear, emboldened heading or locating the statement in a stand-alone text box to give it greater prominence.

OTHER DEVELOPMENTS – CLIMATE CHANGE

A broader understanding of the risks associated with climate change and of the need for urgent action to prevent unprecedented global long-term consequences has led in recent years to a series of UN, European and national initiatives designed to address the root causes. At the centre, the UN's Paris Agreement sets new ambitions for the world's response to climate change. At a European level, the European Union is implementing its own agenda for sustainable development and at a national level, the United Kingdom has committed to reducing greenhouse gas emissions to net zero by 2050.

Over the last year, society's consciousness of, and engagement in, climate-related issues has sharpened significantly, with wider public debate, the mobilisation of school children through School Strike for Climate and, at its most extreme, the rise of civil disobedience through organisations such as Extinction Rebellion which has already started to focus its attention on listed companies' annual general meetings.

As part of the response, listed companies should be giving thorough consideration to, and assessing all the relevant issues around, climate change. Embedding sustainability and an awareness of the risks associated with climate change throughout an organisation and effectively communicating to investors and wider society the challenges, targets and activities that support the action that the organisation is taking should be high up on every listed company's agenda.

While a listed company has always been required to disclose material environmental matters and the associated principal risks to comply with its statutory and regulatory obligations, its reporting on climate-related issues is thrown into sharper relief this year in light of the new Section 172(1) Statement which now requires directors to describe how they have had regard to certain matters (including the company's impact on the environment) when performing their duties under that section. Allied to this, the 2018 Code now calls for the Annual Report to describe how opportunities and risks to the future success of the business have been considered and addressed and to describe the sustainability of the company's business model (Code Provision 1). There is also a new focus on the assessment of "emerging" risks (Code Provision 28). The drive to integrate climate-related issues into mainstream reporting is set to continue next year with the introduction of the requirement for a listed company to make statements in the Directors' Report concerning its energy use and action taken to increase its energy efficiency (see "On the horizon – Energy consumption and efficiency reporting" in the "Directors' Report – Statutory and DTR Disclosures" section of this document).

Accordingly, listed companies should consider their impact on the environment and the likely consequences of any business decisions in the long term. As confirmed by the FRC during the year, listed companies should now address, and where relevant report on, the effect (both direct and indirect) of climate change. Reporting should set out how the company has taken into account the resilience of the company's business model and its risks, uncertainties and viability in both the immediate and longer-term in light of climate change. Companies should also reflect the current or future impacts of climate change on their financial position, for example in the valuation of their assets, assumptions used in impairment testing, depreciation rates, decommissioning, restoration and other similar liabilities and financial risk disclosures. This is an area of reporting that the FRC will monitor closely. The heightened expectations of stewardship which calls for investor consideration of environmental, social and governance issues within each investee company will also drive enhanced reporting in these areas this year.

With an increasing number of global organisations showing their support for the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures, and, crucially, in light of the government's expectation for future reporting in line with those recommendations as noted below, the Task Force's recommendations are set to become the base framework around which listed companies will structure their reporting.

Task Force on Climate-Related Financial Disclosures – Recommendations and Annex

The Task Force on Climate-Related Financial Disclosures was set up by the Financial Stability Board following its assessment in 2015 that climate change posed a risk to the stability of the global financial system. This threat manifests itself not only through the physical risks of climate change, but also through transitional risks in the move to a lower carbon economy.

The Task Force's remit was to recommend how companies should disclose their climate-related financial risks in light of the FSB's conclusion that many companies are systemically under-reporting the risks they face with the result that investors, regulators and other stakeholders simply do not have the necessary information to be able to manage properly the uncertainty.

WHERE TO FIND PRINCIPAL GUIDANCE ON STRATEGIC REPORTING

Key publications and guidance on the following aspects of strategic reporting are summarised and presented on the following pages:

Statutory purpose, Section 172(1) Statement and stakeholder engagement	
- BEIS's "The Companies (Miscellaneous Reporting) Regulations 2018 Q&A" (November 2018)	44
- FRC's "Guidance on the Strategic Report" (July 2018) – Section 172 reporting	44
- FRC's "Guidance on Board Effectiveness" (July 2018) – Relations with stakeholders	44
- GC100's "Guidance on Directors' Duties: Section 172 and Stakeholder Considerations" (October 2018)	44
- the Chartered Governance Institute and the Investment Association's "The Stakeholder Voice in Board Decision-Making" (September 2017)	45
General, business model and dividends	
- NEW: FRC's "Annual Review of Corporate Reporting 2018/2019" (October 2019)	46
- FRC's "Guidance on the Strategic Report" (July 2018)	47
- FRC Financial Reporting Lab's "Business model reporting" (October 2016) and Implementation Study (October 2018)	47, 48
- FRC Financial Reporting Lab's "Reporting of performance metrics" (June 2018) and "Performance metrics – Principles and practice" (November 2018)	49
- NEW: FRC Financial Reporting Lab's "Climate-related corporate reporting – Where to next?" (October 2019)	52
- NEW: FRC Financial Reporting Lab's "Disclosure on the sources and uses of cash" (September 2019)	52
- FRC Financial Reporting Lab's Case Study Report "WM Morrison Supermarkets PLC – Supplier relationships and emergent issues reporting" (January 2017)	53
- FRC Financial Reporting Lab's "Disclosure of dividends – policy and practice" (November 2015) and Implementation Study (October 2017)	54, 54
- Investment Association's "Long-Term Reporting Guidance" (May 2017)	55
- NEW: Investment Association's "Shareholder votes on dividend distributions in UK listed companies – The case for a distribution policy" (May 2019)	40
Risk and viability	
- FRC Financial Reporting Lab's "Risk and viability reporting" (November 2017) and Implementation Study (October 2018)	59, 60
- Investment Association's "Guidelines on Viability Statements" (November 2016)	61
- FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" (September 2014)	63
Alternative Performance Measures	
- "ESMA Guidelines on Alternative Performance Measures" (October 2015)	63

STRATEGIC REPORT – DISCLOSURE REQUIREMENTS

	reference (e.g. page [] / ✓, x, n/a or ?)
Duty to prepare Strategic Report	
s.414A	Have the directors prepared a Strategic Report for the financial year? (Notes 1 and 2)
Purpose, values, business model and strategy	
	Does the Strategic Report include:
NEW	- a description of the company's purpose and its core values? (Note 3)
s.414C(8)(a)	- a description of the company's strategy? (Notes 4 and 5)
s.414C(8)(b)	- a description of the company's business model? (Notes 4 to 6 and 50)
	Does the Annual Report describe: (Note 7)
Code Provision 1 NEW	- how opportunities and risks to the future success of the business have been considered and addressed?
Code Provision 1 NEW	- the sustainability of the company's business model?
Code Provision 1 NEW	- how its governance contributes to the delivery of its strategy?
Culture	
NEW	Does the Annual Report articulate the company's culture and how it supports the company's business model, strategy, purpose, and long-term success as well as its responsibility to contribute to wider society? (Note 8)
Code Provision 2 NEW	Is there an explanation of what the board has done to assess and monitor culture and any action it has taken? (Notes 8 and 9)
Code Provision 2 NEW	Is there an explanation of the company's approach to investing in and rewarding its workforce? (Note 10)
Section 172 and stakeholder engagement (Note 11)	
s.414C(1)	Does the Strategic Report fulfil its statutory purpose "to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company)"?
s.414CZA(1) NEW	Does the Strategic Report include a statement which describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under that section? (Notes 12 and 13)
Code Provision 5 NEW	Does the Annual Report describe how the interests of key stakeholders and the matters set out in section 172 have been considered in board discussions and decision-making?
	Where the board has not chosen one or more of the workforce engagement methods recommended in Code Provision 5, does the Annual Report explain: (Note 14)

reference
(e.g. page [] / ✓, x, n/a or ?)

Non-financial information – key performance indicators

s.414CB(2)(e)	Does the Non-Financial Information Statement include a description of the non-financial key performance indicators relevant to the company's business? (Notes 31 and 50)
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Non-financial information – other information

s.414CB(5)	Does the Non-Financial Information Statement include, where appropriate, references to, and additional explanations of, amounts included in the company's annual accounts? (Note 50)
s.414CB(6)	Where the information required by sections 414CB(1) to (5) to be included in the Non-Financial Information Statement is published by the company by means of a national, EU-based or international reporting framework, does the Non-Financial Information Statement specify the framework(s) used instead of including that information?

NOTES

Duty to prepare Strategic Report

- For a financial year in which the company is a parent company and for which its directors prepare group accounts, the Strategic Report must be a consolidated report relating to the undertakings included in the consolidation (section 414A(3)). The consolidated report may, where appropriate, give greater emphasis to the matters that are significant to the undertakings included in the consolidation, taken as a whole (section 414A(4)).
- The contents of the Strategic Report will be covered by the directors' liability "safe harbour" at section 463 (liability for false or misleading statements in reports and statements). That section aims to protect directors against liability to third parties (other than the company) for the contents of the Strategic Report, the Directors' Report, the Remuneration Report (including any revised Remuneration Policy) and any separate corporate governance statement by providing that a director will only be liable to the company for any statement in any of those reports or statements "if he knew the statement to be untrue or misleading or was reckless as to whether it was untrue or misleading or ... he knew the omission to be the dishonest concealment of a material fact". The government has previously expressed concern that "the overly cautious might place inappropriately large volumes of information, including that not required to meet a specific legal requirement, in these reports in order to benefit from the "safe harbour" clause" and has cautioned that this is not the intention behind the statutory provision which was introduced to give directors certainty on the scope of their liability when making forward-looking statements.

Purpose, values, business model and strategy

- While the disclosure of the company's purpose and values is not mandatory, its inclusion should be considered as a matter of best practice. For commentary on corporate purpose, see page 30 of this document.
- Disclosure of the business model and strategy are critical to an appreciation of the business and its performance. Both are inextricably linked to, and should be consistent with, the company's purpose. It should be evident from the Strategic Report how the business model and the strategy support the overriding corporate purpose. Best practice on how a company can report in this area is set out in the FRC Strategic Report Guidance. This is summarised on pages 82 and 83 of this document (for listed companies with 500 employees or fewer) and on pages 91 and 92 (for listed companies with more than 500 employees).

FRC STRATEGIC REPORT GUIDANCE – CONTENT GUIDANCE FOR LISTED COMPANIES WITH 500 COMPANY (OR GROUP) EMPLOYEES OR FEWER

500 employees or fewer	reference (e.g. page [] / ✓, x, n/a or ?)
STRATEGIC MANAGEMENT	
General guidance	
SRG – 7A.7	The company's purpose, strategy, objectives and business model are inter-related concepts. The disclosure of the company's purpose, strategy, objectives and business model should together explain what the company does and how and why it does it.
	A description of the company's values, desired behaviours and culture will help to explain its purpose and put it in context.
SRG – 7A.8	The company's purpose is why it exists. This could encompass generating benefits for members through its economic success whilst having regard to the matters identified in section 172 and, in the broader social context, contributing to inclusive and sustainable growth.
	The company's strategy should be informed by what it wants to achieve in the future.
SRG – 7A.9	The company will usually have a number of formal objectives (which can be financial or non-financial in nature and may be expressed in quantitative or qualitative terms) that it intends to achieve in pursuit of its purpose.
	The company will also have developed a strategy that describes the means by which it intends to achieve its objectives.
SRG – 7A.10	The company's purpose, strategy and values should be aligned with its culture.
s.414C(8)(a)	Description of the strategy must be included
SRG – 7A.12	A description of the strategy for achieving the company's objectives provides insight into the company's development, performance, position and future prospects.
	The disclosure of the company's objectives places its strategy in context and allows shareholders to make an assessment of its appropriateness.
SRG – 7A.13	The descriptions of the strategy and objectives should link in (where relevant) with the discussion of key performance indicators to allow shareholders to assess progress against strategy and objectives.
	Emphasising the relationship between the company's principal risks and its ability to meet its objectives may provide relevant information.
s.414C(8)(b)	Description of the business model must be included
	Note: <i>In addition to FRC Strategic Report Guidance as summarised below, a listed company may also wish to take account of the Financial Reporting Lab's "Business model reporting" (October 2016) and Implementation Study (October 2018).</i>

The Code Principles are as follows:

Board leadership and company purpose

Code Principle A
NEW “A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.”

Code Principle B
NEW “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.”

Code Principle C
NEW “The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.”

Code Principle D
NEW “In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.” **(Note 6)**

Code Principle E
NEW “The board should ensure that workforce policies and practices are consistent with the company’s values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.”

Division of responsibilities

Code Principle F
NEW “The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgment throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.”

Code Principle G
NEW “The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board’s decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company’s business.”

Code Principle H
NEW “Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.”

Code Principle I
NEW “The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.”

ANNUAL STATEMENT – DISCLOSURE REQUIREMENTS

		reference (e.g. page [] / ✓, x, n/a or ?)
Accounts Regulations Sch 8 para 3	<p>Is there a statement from the chairman of the remuneration committee summarising in respect of the financial year:</p> <p>(a) the major decisions on directors' remuneration;</p> <p>(aa) <u>any discretion exercised in the award of directors' remuneration;</u></p> <p>(b) any substantial changes relating to directors' remuneration made during the year; and</p> <p>(c) the context in which any changes occurred and decisions were taken?</p>	
NEW		
GC100 Remuneration Guidance	<p><i>Companies should emphasise and explain in the Annual Statement how each element of directors' remuneration supports the short- and long-term strategic objectives of the company. Demonstrating the link to strategy is crucial as remuneration structures evolve, discretions are exercised and policies come up for renewal. Whilst the obligation in the Accounts Regulations to link remuneration to strategy is in respect of the Remuneration Policy table, the requirement to set out the company's strategy and objectives in the Strategic Report invites cross-reference and alignment between the reports and a "joined up" approach is encouraged.</i></p> <p><i>Companies may wish to consider disclosing some or all of the following information in the Annual Statement:</i></p> <ul style="list-style-type: none"> - the key decisions made by the remuneration committee during the year and why they were made; - the remuneration philosophy that underpins decisions and how company performance is reflected in the remuneration outcomes; - how the overall remuneration package balances rewards for management performance and a share in the success (or failure) of the company. Investors believe that many companies should give this area particular focus. As well as being part of the future policy table, investors generally expect this should be supplemented with additional disclosures in the Remuneration Report. Appropriate emphasis and explanation should be given to this in the Annual Statement. Demonstrating the linkage to strategy will be crucial for companies as their remuneration structures evolve, discretions are exercised and Remuneration Policies come up for renewal. The need to explain the link between remuneration and strategy invites cross-referencing and alignment with the Strategic Report, e.g. how the company's KPI and risks have been factored into the remuneration structure. Companies may wish to consult the FRC Strategic Report Guidance and the Financial Reporting Lab's insight report on clear and concise reporting, both of which encourage companies to produce a "joined up" report; - if the Remuneration Policy is being put to the vote, the key changes and a summary of why the changes are required; - <u>why the remuneration committee considered it appropriate to exercise discretion and the impact that that exercise had on the payment made; and</u> - comments on any stakeholder engagement. 	
UPDATED		

ORDINARY RESOLUTIONS AND EXPLANATORY NOTES

		reference (e.g. page [] / ✓, x, n/a or ?)
Accounts and Reports		
s.437(1)	Is there a resolution to receive the annual accounts and reports for the financial year under review? (Notes 1 and 2)	
Remuneration Report		
ss.437(1) and 439(1)	Is there a resolution to approve the Remuneration Report [other than the part containing the Remuneration Policy] for the financial year under review? (Notes 3, 5 and 6)	
ss.437(1) and 439A(1)	Where appropriate, is there a resolution to approve the Remuneration Policy (contained in the Remuneration Report for the financial year under review)? (Notes 4, 5, and 7)	
Dividend		
	Is there a resolution to declare a final dividend (if relevant)? (Note 8)	
Election and re-election of directors		
Code Provision 18, s.160(1) and LR 9.2.2E R(1)	Are there separate resolutions to elect or re-elect each of the current directors? (Note 9)	
	Do the resolutions to elect and re-elect directors satisfy the requirements of the articles of association?	
Code Provision 18	Has the board set out in the papers accompanying the resolutions to elect or re-elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success? (Notes 10 to 13)	
	Where directors are proposed to be re-elected, has the chair confirmed that, following performance evaluation, the individual's performance in each case continues to be effective and to demonstrate commitment to the role? (Note 14)	
Election and re-election of independent directors (Note 15)		
LR 9.2.2E R(2)	Where a listed company with a "controlling shareholder" proposes the election or re-election of any independent non-executive director, will the election or re-election of any such proposed independent director be approved by the "independent shareholders"? (Notes 16 to 19)	
	This separate approval by the independent shareholders is in addition to the approval by the company's shareholders. (Note 20)	
	In relation to the proposed election or re-election of independent directors, does the circular include: (Note 18)	
	- information relating to the company's intentions should any election or re-election resolution not receive the requisite approvals? (Note 21)	