

*2016 Walker  
Guidelines  
reporting process and  
Corporate Reporting  
update*

December 2016

# Agenda

- Introduction – **Paul Silcock, PwC CI | Alex Burne, PwC CI**
- Background to the Guidelines and wider corporate reporting environment -  
**Nick Land, Chair of the Private Equity Reporting Group and Chair of the FRC Codes and Standards Committee**
- Overview of the process and disclosures by Portfolio Companies for the Walker Guidelines – **Claire Browne, PwC UK**
- Regulatory changes – **Claire Browne and Nick Land**
- Closing remarks – **Nick Land**

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## *Background to the Guidelines and wider corporate reporting environment*

Nick Land, Chair of the Private Equity Reporting Group  
and Chair of the FRC Codes and Standards Committee

# *Overview of the process and Guideline requirements*

Claire Browne, PwC UK

## *Reporting Timetable*

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<ul style="list-style-type: none"><li>- PwC and BVCA to support PE firms &amp; GPs where requested with the PC disclosure requirements.</li><li>- BVCA to review PE firms' compliance and provide feedback.</li></ul>									
<ul style="list-style-type: none"><li>- PwC to commence reviews on sample selected Deadline – 30 Sept 2016 (with later submissions for April year-ends).</li></ul>									
<ul style="list-style-type: none"><li>- EY to collate data on performance Deadline – 31 August 2016</li></ul>									
<ul style="list-style-type: none"><li>- PwC and EY to finalise findings</li><li>- PERG to finalise ninth report.</li></ul>									
<ul style="list-style-type: none"><li>- Publication of ninth report and BVCA/EY report Deadline – early December 2016</li></ul>									

## ***How compliance with the Guidelines is assessed***

The population for review is determined in conjunction with the PERG, focusing on new entrants, previously poor performers and an element of rotation for previously reviewed companies

Assessed by team of experienced corporate reporting reviewers against the Guidelines with an overview applied to ensure consistency

The entire annual report and financial statements reviewed to consider context  
Assessed against each criteria independently as to whether compliance is excellent, good, basic or fail

A private report is provided to the PERG for all the portfolio companies reviewed and from this the PERG issues its public report on conformity.



## ***The overriding principles***

Fair, balanced and understandable

Consistent

Linkage

Relevance

Comparability

## ***The Guidelines criteria – private equity ownership***

The disclosures specific to the ***features of private equity ownership*** remain unchanged:

- Identity of private equity ownership firm
- Details on board composition
- Financial review – position
- Financial review – financial risk



## ***The Guidelines criteria – meeting the large private requirements***

The disclosures specific to the ***strategic report – large private requirements***:

- Balanced and comprehensive analysis of development and performance during the year and position at the year end
- Principal risks and uncertainties facing the company
- Key performance indicators - financial
- Key performance indicators - non-financial including environmental matters and employees



## ***The Guidelines criteria – meeting the quoted requirements***

The disclosures specific to the ***strategic report – quoted requirements***:

- Strategy
- Business model
- Trends and factors affecting future development, performance or position
- Environmental matters
- Employees
- Social, community and human rights issues
- General diversity information



## What we saw

- Include ***stronger narrative on the policies for gender diversity.***
- The inclusion of ***commentary on human rights is a requirement*** under the Guidelines.
- The business model should articulate ***how the business creates value and linking this to the strategy.***
- The ***identification and discussion of the private equity firm should be transparent*** and this also ***extends to the detail of the board*** composition.

# Where to go for help

## Good practice guide



## BVCA and PwC



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# *Regulatory changes*

Claire Browne, PwC UK

# **Regulatory changes**

## ESMA – Alternative Performance Measures ‘Guidance’

### **Applicable for...**

- Companies listed on regulated markets
- All communications outside the financial statements, including the front half of the annual report



### **Key principles**

- Define APMs in a clear and readable way and give meaningful labels (impairments and restructuring charges are ‘rarely ... unusual or non-recurring’).
- Reconcile APMs to most directly reconcilable GAAP line item explaining material reconciling items.

### **Key principles (continued)**

- The use of APMs should be explained so users understand relevance and reliability.
- APMs – Do not display with more prominence, emphasis or authority than GAAP measures.
- APMs should be presented with comparatives which also need to be reconciled.
- APMs should be defined consistently over time and any changes justified.



**Applicable for announcements from 3 July 2016 onwards**

**FRC and FCA responsible in the UK**

# **Regulatory changes**

## BEIS - Modern Slavery Act

### **Applicable for...**

- Any company or partnership with turnover in excess of £36m whose business, or part of business, is carried on in any part of the UK



### **Reporting requirement**

- A 'slavery and human trafficking statement' each financial year, approved by the Board and signed by a Director



### **Website reporting**

- Reporting in a prominent place on the business's website



### **Content of disclosure**

- Either the steps your business has taken during the financial year to ensure that slavery and human trafficking is not taking place in your own operations and in your supply chain; or
- A statement that you have taken no such steps.



**Applies to financial periods ending on or after 31 March 2016**

# Regulatory changes

## 2016 UK Corporate Governance Code/FRC Guidance on audit committees

### Applicable for:

- Premium listed companies



### Status of Code and FRC Guidance

- Companies need to report against 2014 Code under Listing Rules but can **add to this** through early adoption on a voluntary basis
- FRC Guidance has no specific applicable date so, although it clearly relates to the 2016 Code, it will influence governance and reporting early



### Changes in 2016 Code

- Changes to audit committee composition and **reporting**, implementing aspects of the EU Audit Directive and CMA Order:
  - The audit committee as a whole must have 'competence relevant to the sector' in which the company operates
  - 'Advance notice' of audit tendering plans **to be provided in audit committee report** (but the tendering provision itself is deleted as the EU and CMA rules now apply)



Applies to periods beginning on or after 17 June 2016

# Regulatory changes

## 2016 FRC Guidance on audit committees

### Purpose of changes:

- Closely related to changes to Ethical Standards for auditors in relation to the auditor independence – particularly the provision of non-audit services



### Pre-approval of non-audit services

- Should now only be used where the services are regarded by the audit committee as 'clearly trivial'
- The audit committee needs to set its policy and approval of non-audit services can still be delegated by the committee in line with this policy



### Increased transparency in audit committee report on FRC reviews of reporting and audit



- **Report** on "the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team
- Discuss Audit Quality Review team findings with the auditors and **disclose** any significant findings and the actions the audit committee and auditors plan to take

Applies to periods beginning on or after 17 June 2016  
BUT WILL INFLUENCE BEHAVIOUR BEFORE THEN

# Regulatory changes

## EU non-financial reporting directive

### Applicable for:

- EU Public Interest Entities with over 500 employees, other than:
- Diversity disclosures, which apply to companies with standard and premium listings of equity that do not qualify as small or medium-sized
- UK implementation still underway (through company law and DTR)



### Diversity

- Description of any board diversity policy in relation to age, gender, background and more; how this been implemented and results



### Non-financial statement ('NFS')

- Requirement for a non-financial statement containing information **to the extent necessary** for an understanding of the undertaking's development, performance, position and impact of its activity relating to, as a minimum:
  - Environmental, social and employee matters
  - Respect for human rights,
  - Anti-corruption and bribery matters



### Format of NFS and link to strategic report requirements

- Still being finalised

Applies to periods beginning on or after 1 January 2017  
FCA (diversity) and BEIS (the rest) responsible in the UK

# ***Regulatory changes***

## BEIS - Gender pay gap

### **Applicable for:**

- Private and voluntary sector employers with 250 or more relevant employees



### **Website reporting**

- Reporting in a prominent place on the company's website



### **Information to be disclosed**



- The mean and median pay gap
- The mean bonus pay gap as well as the proportion of male and female employees who receive a bonus
- The number of women and men in each quartile of the pay distribution
- A confirmation that the above figures are accurate

**Data to be collected from 1 April 2017; annual disclosure from 2018**

# **Regulatory changes**

## BEIS – Prompt payment policy

### **Expected to be applicable for:**

- Large private companies, large LLPs and large quoted companies (but not small and medium quoted companies as originally proposed)
- Replacement in the Small Business, Enterprise and Employment Act 2015 for old Companies Act annual report disclosure



### **Reporting requirement**

- Half-yearly reporting in an open data format to a single, central digital location



### **Disclosures to include:**



- Standard payment terms, including any changes to these in the last reporting period
- Average time taken to pay
- Proportion of invoices paid beyond agreed terms
- Proportion of invoices paid in 30 days or less, paid between 31 and 60 days, and paid beyond 60 days. (There is a maximum 60 day payment term in the Government's voluntary Prompt Payment Code.)
- And more...

**Regulations to be laid early in 2017 to apply for financial years starting on or after 6 April 2017**

## *Closing remarks*

Nick Land, Chair of the Private Equity Reporting Group and Chair of the FRC Codes and Standards Committee

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# *Thank you!*

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