

Building Public Trust Awards 2011: People Reporting & Executive Remuneration Reporting

*People Reporting
in the FTSE 100 &
250 and Executive
Remuneration
Reporting in the
FTSE 100 & 250*

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Introduction by Jon Andrews, UK Leader of Human Resource Services, PwC



Welcome to PwC's annual Building Public Trust Awards event, once again celebrating excellence in People Reporting and Executive Remuneration Reporting in the FTSE 100 and FTSE 250.

This is the second year in which we have presented these two awards together at a single, dedicated event – a change we made to reflect the growing importance of, and alignment between, these two key aspects of corporate reporting. In the past year this alignment has, if anything, grown even closer.

During that time, media and political interest in executive remuneration has intensified from its already high level, putting companies' disclosures even more firmly in the spotlight. This is the only category of these annual awards that has remained unchanged since they were launched in 2003 – and this clearly isn't going to change any time soon.

We've been recognising excellence in People Reporting for almost as long, and – of the two areas – this one is now seeing the faster progress. While executive remuneration has always been a key focus for stakeholders, the importance of people reporting is still growing year by year. So companies are continuing to raise their game, as reflected by the number of new faces on this year's shortlist.

That said, all the nominees in both categories illustrate how far the best reporting in these areas has advanced. I congratulate them all – and would encourage other organisations to take a look, and follow their lead.

People Reporting in the FTSE 100 & 250



Twelve months ago, in the programme for last year's awards, I noted that people reporting by FTSE companies was continuing to improve steadily. I'm delighted to say that this progress has been maintained in 2011.

**Foreword by
Richard Phelps,
Human Resource Services, PwC**

This ongoing improvement in the quality of people reporting is not solely compliance-driven. Instead, it reflects organisations' growing acknowledgement of the critical linkage between how they organise and develop their workforces, execute their strategies, and perform as organisations, as well as the increased public scrutiny directed at organisations in sectors such as financial services, utilities and oil & gas.

Positively, we are seeing increasing numbers of companies across all sectors take the practices and data that they use within their own HR teams, and disclose these openly in the public domain. The result is greater clarity, transparency and accessibility.

A further welcome trend – which again has been continuing for some time – is towards providing more information on people in the Annual Report, as opposed to tucking it away in the CSR Report. This is one of the clearest indications of the progress of people reporting from an adjunct of corporate reporting into a pivotal and integrated core component.

Amid the general improvement in people reporting, the shortlisted companies have emerged as leaders. I congratulate them all.



Judges' criteria

As in previous years, the judges were looking for transparent, accessible and joined-up reporting on people management and strategy across four key aspects: the market overview, including the impact of economic conditions; human capital strategy, including the priorities for people management; people processes, such as recruitment and development; and the impact of human capital on corporate performance. Across all these areas, the judges were seeking an understanding of why companies are publishing this information externally, and of how human capital management drives business results.

Judges' comments

The judges noted that all the shortlisted companies in both the FTSE 100 and 250 categories – each from very different sectors – did an excellent job of establishing close linkage between their people strategy and their corporate strategy. However, when it came to communicating detailed people information, the nominees' contrasting industry perspectives resulted in differences in emphasis and approach, reflecting the people-related areas of greatest relevance to their own specific industry. The judges regarded this as positive, since it underlines the increasing alignment between the best people reporting and the true drivers of value in the business. The uniform excellence of the nominees' reporting made it very difficult to choose between them. The judges agreed that any of these reports might well have won in virtually any previous year.

Winner

British American Tobacco p.l.c.

A frequent front-runner for this award in the past, BAT scoops it with clear, well-structured reporting of its people strategy in the context of overall business strategy in its Annual Report. This is underpinned by an unprecedented wealth of relevant, business-critical people data in the CSR report – even drilling down to the local succession pipeline in all territories. Overall, there's a real feeling that people genuinely matter.

Highly commended (in alphabetical order):

Anglo American plc

The reporting hits the ground running in the Chairman's statement with a heartfelt focus on employee development and safety, giving a sense of pride in – and commitment to – the workforce. Anglo's people strategy, 'the People Development Way', is explained at the start and embedded throughout the business unit reviews. This is people reporting that is coherent, enthusiastic and trustworthy.

Barclays PLC

Dramatically improved people reporting from Barclays, especially strong on linking people strategy with corporate strategy and remuneration, and detailing how people-related risks are managed. People KPIs and their relevance to the business are well explained, as is employee productivity. Strategic content in the Annual Report is supported by detailed data in the CSR Report. A highly creditable effort.

Winner

Rathbone Brothers Plc

A new entrant to the front runners for the award this year, Rathbone Brothers provides a clear and concise presentation of its human capital strategy integrated into the broader business strategy. This impressive reporting is supported by detailed disclosure of employee data across a wide range of performance indicators, which made a strong impression on the judges.

Highly commended (in alphabetical order):

Travis Perkins plc

This company demonstrates a genuine focus on people throughout its Annual Report, particularly in relation to the human impact of organisational change, employee productivity and health & safety.

WS Atkins plc

The 2010 winner continues to impress, providing a detailed disclosure of people strategy in its HR review within the Annual Report, supported by insightful performance data in relation to recruitment & retention, training, diversity and health & safety.

Executive Remuneration Reporting in the FTSE 100 and FTSE 250



Executive remuneration remains a highly topical issue: as we go to press, the Government is pushing for more extensive disclosure and seeking views on the possibility of a binding shareholder vote. Let's hope that these new developments do not reverse the progress that has been made in recent years in increasing transparency.

***Foreword by
Sean O'Hare,
Human Resource Services, PwC***

The top companies' remuneration reporting appeared to have reached a plateau this year. A larger number of good reports were produced in 2011 than in 2010, but it was difficult to identify a shortlist of three reports that stood out as exceptional. In general, they tended to be a bit like the curate's egg: 'good in parts'.

Against this background, the shortlisted companies are to be applauded for having distinguished themselves in one way or another – and in large part through good presentation.

In reviewing this year's reports as a whole, we felt that companies were holding fire to

see what the government's next move will be, before making a step-change in their reporting. As we highlighted last year, there has been a tendency for remuneration reports to become so voluminous that important facts can get lost in detail. Any proposals to reduce the static data in the report will be very welcome.

Interestingly, our winner this year had the longest remuneration report of the three short-listed companies. The judges felt that the additional, non-legislative, disclosures made by BAT enhanced the reader's understanding of the remuneration packages. This, and the highly accessible and engaging presentation of the report, clinched the award.

BPTA: Reporting of Executive Remuneration

Judges' criteria

The judges were looking for clear disclosure of directors' remuneration across three main areas:

- The context against which remuneration decisions were made, including how the Remuneration Committee took into account the economic and business environment and the 'wider scene' in the company;
- Demonstration that performance metrics driving incentives are clearly linked to business strategy; and
- Evidence that incentives that were paid out or vested in the year were based on unequivocal performance achievement.

As well as clarity of disclosure in these three areas, the judges assessed the accessibility of information in the report, including the use of tables and charts.

Judges' comments

While the judges felt that the highly diverse nominees from both the FTSE 100 and 250 had produced remuneration reporting of an extremely high standard, they each excelled in different ways – a variation that was reflected in the very different lengths of the reports. For example, in the FTSE 100 category the lengths ranged from SSE's 10 pages to BAT's 26 pages, with M&S in between. This variation was reflected in the wealth of detailed remuneration data provided by BAT, contrasting with the more concise reporting from SSE – which nevertheless managed to pack in a wealth of disclosure. However, while the 2010 FTSE 100 winner was the shortest report on that year's shortlist (SSE), this year's winner was the longest among the 2011 nominees (BAT). As the judges pointed out, this provides further confirmation that the quality, linkage and accessibility of executive remuneration disclosures are far more important than the length of the report.



Winner

British American Tobacco p.l.c.

BAT – the first winner of the award nine years ago – reclaims the crown with a superbly-signposted report that clearly sets out the purpose, delivery, policy and impact of the incentives for each element of remuneration. Linkage to the strategy is equally explicit, with good cross-references to the business review. The context of the Remuneration Committee’s decisions is well-explained. All-round excellent and accessible reporting on this complex issue.

Highly commended (in alphabetical order):

Marks and Spencer Group plc

An outstanding report, distinguished by a very clear account of the Remuneration Committee’s activities during the year and action plan for next year, and excellent disclosure on issues such as non-executives’ other board memberships. M&S uses an innovative question-and-answer structure that some judges thought worked well, while others felt it was a little too prescriptive. However all agreed it was a creditable attempt to break away from the tried-and-tested formats.

Scottish and Southern Energy plc

Last year’s winner returns with the shortest and most concise of the shortlisted reports, supported by refreshingly clearly-presented detail on team performance metrics, clearly linked to strategy and shareholder value. The Remuneration Committee chairman’s letter sets a considered tone that is maintained throughout. In terms of transparency, two particularly impressive elements are the chart summarising all the relevant information, and the highly accessible glossary of terms used.

Winner

Michells & Butlers plc

A well-presented report highlighting the linkage between reward and business strategy and clearly explaining the achievement of performance conditions. This report is one of the few that attempts to demonstrate how the Remuneration Committee takes into account pay in the wider group when setting executive pay.

Highly commended (in alphabetical order):

Northumbrian Water Group plc

The report provided significant detail on key performance indicators for each of the executive directors' annual bonuses and a clear table illustrating the calibration of each of the measures making up the balanced scorecard of metrics for long-term incentives. We were pleased to note the clear disclosure of the size of the annual long-term incentive awards.

UBM plc

UBM's unconventional approach to the remuneration report must be applauded for the clarity of disclosure of the important features relevant to the year under review. The key points brought out in the Remuneration Committee Chair's letter and the succinct 'At a glance' section enabled the reader to quickly grasp the overall remuneration policy and outcomes for the year.

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