

Narrative Reporting Update

6 October 2022

This webinar will commence shortly

Introduction



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Today's presenters

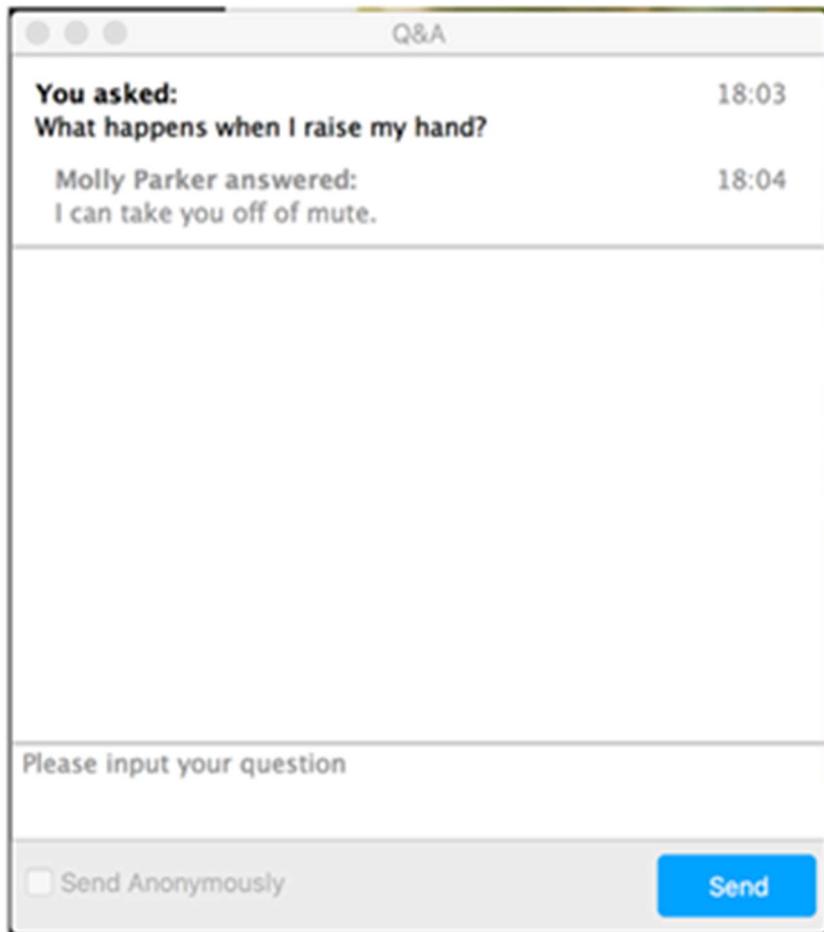


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Ask a question and access resources



The screenshot shows a Q&A window with a title bar containing three window control buttons and the text "Q&A". The main content area displays a question and answer:

You asked: 18:03
What happens when I raise my hand?

Molly Parker answered: 18:04
I can take you off of mute.

Below the answer is a large empty text area for input. At the bottom of the window, there is a text prompt "Please input your question", a checkbox labeled "Send Anonymously", and a blue "Send" button. An arrow points from the "Send" button to the text "send anonymously" in the adjacent text block.

Download resources

Link to slides in event reminder email

Access other related resources, including the presentation slides, at icaew.com/frfwebinars

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

Note: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration on the left.

Contents

Context for the reporting season ahead

The ESG reporting landscape

FRC & FCA Climate reports

Other activity at the FRC

UK Corporate Reform – Government Response

Questions

Context for the reporting season ahead

Russia/Ukraine conflict –
energy, food and other
commodities

Cost of living crisis –
inflation, energy
availability and cost, cost
of capital & potential for
social unrest

Recession fears

Heated debate on the
role of government and
companies in supporting
workers and wider
society

Recent government
mini-budget

Relationship with
Europe (Brexit
consequences)

Context for the reporting season ahead

Focus on resilience

- Principal risks and uncertainties
- Longer term viability statement (for quoted companies)
- Going concern assessment
- Business model (quoted companies)
- Other ESG disclosures e.g. directors' report

Poll question 1: To what extent are you revisiting your risk disclosures in your next strategic report? [tick all that apply]



- We review and update our longer term viability statement every year, reflecting latest work performed
- We intend to disclose emerging risks voluntarily
- Our strategic report is being refreshed throughout with key messaging on risks and resilience in mind
- Disclosures remain the same, aside from any changes to our risk register
- Plans for writing our next strategic report not yet made

Principal risks and uncertainties

Companies Act 2006 - Section 414C:

- 2) The strategic report must contain—
 - a) a fair review of the company's business, and
 - b) a description of the **principal risks and uncertainties** facing the company.

For companies in scope of the **Non-Financial Reporting Regulations, section 414CB** applies:

- 2) The non-financial information statement must contain... as a minimum:
 - d) a description of the **principal risks relating to the relevant matters*** arising in connection with the company's operations and, where relevant and proportionate—
 - (i) a description of its business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and
 - (ii) a description of how it manages the principal risks, and

**matters are environmental matters, employees, social matters, respect for human rights and anti-corruption & anti-bribery matters*

PRU - example

Gamma's principal risks and how they are mitigated

The assessment of the principal areas of risk, their potential impact to achieving Gamma's strategy, movement in the year and how the Company seeks to mitigate them are described in the table below. The occurrence of any of these potential risk scenarios could to a greater or lesser extent potentially adversely result in damage to Gamma's reputation and/or business performance. The risk impact considers both the financial impact of the risk, when it may impact Gamma and the likelihood of it occurring.

Unplanned service disruption

Risk Impact:	High
Change on prior year:	↔
Link to strategy:	1 2

Description

Reliable, high-quality business communications services are critical to Gamma and are the core components of its products and strategy. Therefore, maintaining very high levels of service availability is central to Gamma's credibility, competitive positioning and its financial performance. This is particularly so as it serves the business market, and any disruption to Gamma's service affects the ability for its customers to provide services.

Potential impact

If Gamma's products and services perform below our customers' expectations, then this could have a direct impact on product and revenue growth through reputational impact and could also result in significant financial loss.

Mitigating actions

Gamma operates a comprehensive operational governance framework to manage the availability and performance of its services. This includes the design and architecture of the network for resilience, capacity planning, change management and security.

Business continuity planning and rehearsals are routine components of the governance framework. This governance is subject to external audit via the ISO 22301 certification.

Regular reviews take place with key suppliers and there is an internal fortnightly 'Supplier Management Meeting' chaired by Gamma's procurement team, which seeks to improve supplier performance as well as address risks as they arise.

There is a mature Incident Management process that is rehearsed on a regular basis. This capability is available 24x7x365 and ensures the business can respond immediately to events that may impact the performance of the services provided to customers.

The Company has established an Emergency Communications Committee as part of the communications process which is initiated during any major service incident. This committee ensures that the Company maintains effective communication both internally and externally with customers, suppliers and where necessary the media and regulatory bodies (the latter supported by specialist agencies). This process is normally rehearsed at least once a year and was last tested during the heightened cyber security threat in mid-2021.

Gamma recognises that occasional technology failures cannot be avoided and are more open to this risk when it comes to the deployment of new products at pace to maintain a competitive advantage.

PRU - example

Risk Appetite Statement

The Board has set the Group's risk appetite statement to provide guiding principles to support decision-making at both a Board and Senior Management level. The Group risk appetite statement is reviewed and updated by the Board at appropriate intervals and in any event on an annual basis. The Group risk appetite statement has been communicated internally to Senior Management who are responsible for incorporating the identified principles in decision-making. The Group's risk appetite statement is as follows:

"We use our expertise in property investment and development and our commitment to a strong balance sheet to take commercial risks in a measured way so that we are able to deliver sustainable growth and long-term market leading returns for our shareholders.

We are risk averse in relation to the impact of our business on the environment and on the health and safety of our people and the public and it is a key priority for us that our business operates in compliance with laws, regulations and our contractual commitments."

Risk Appetite Criteria	Risk Appetite Scale		
	Risk averse	Risk neutral	Risk aware
Risk-taking in pursuit of strategic objectives	The Company is cautious and takes as little risk as possible	The Company takes a balanced approach to risk taking	The Company is willing to take greater than normal risks
Principal Risk			
Economic conditions			●
Funding		●	
Political climate		●	
Catastrophic external event			●
People			●
Health & safety	●		
Compliance with law, regulation and contracts	●		
Climate change	●		
Leasing and asset management			●
Planning and development			●

Capital & Counties
Properties PLC
- ARA 2021

PRU - example

Emerging risk	Description	Impact	Mitigating actions	Time scale
1 Water crisis (linked to climate change principal risk)	Lack of sufficient water resources to meet water consumption demands in a region.	Water is critical to mining processes. Without this natural resource, we cannot extract gold and silver.	Strict control and monitoring of water concessions is maintained and actions are envisaged to ensure water for the following years.	> 5 years
2 Technological disruption	Failure to identify, invest in, or adopt technological and operational productivity innovations that significantly replace or optimise a process through new systems with recognisably superior attributes.	Obsolete or outdated mining processes impact productivity and efficiency levels and impact sales and profits.	Technological advances in the mining industry are constantly monitored (particularly in mine operations) in order to adopt the most appropriate best practices and new technology.	> 5 years
3 Risk of narco states (linked to security principal Risk)	Countries whose government institutions are significantly influenced by the power and wealth of drug trafficking, and whose leaders simultaneously hold positions as government officials and members of the illegal narcotic drug trafficking networks, protected by their legal powers.	The safety of employees, contractors and communities near mines is threatened by the presence of drug cartels that increase high-impact crimes.	We maintain constant communication with government authorities and the National Guard to coordinate security and citizenship protection operations.	< 5 years
4 Infectious diseases	The regional or global spread of a new disease (bacteria or virus) against which most people do not have immunity.	Another virus such as SARS-CoV-2 coronavirus (Covid-19) may affect the health of employees and stop the Company's activities.	Much was learned from the Covid-19 pandemic about providing care for employees' health and health prevention measures. We have embedded those learnings in our business as usual activities.	< 5 years
5 Transition to a low-carbon future (linked to climate change principal risk)	The transition to a low-carbon future is a 'transition risk' according to the TCFD and presents challenges and opportunities for our portfolio in the short and long term. It is considered within the climate change principal risk mitigation strategy. However, we consider this risk to be an emerging risk due to the speed of potential new climate change regulations and the obstacles that government may place in the way of supporting investment in clean energy.	Key areas of uncertainty include future climate change regulation and policies, the development of low-carbon technology solutions and the pace of transition across our value chains, in particular the decarbonisation pathways across the steel sector.	We have introduced new sources of information to help us identify the impacts of climate change. These include industry reports and guides, energy scenarios, and global circulation models (GCMs) under several representative concentration pathways (RCPs). We have used a well-below two-degree decarbonisation pathway to evaluate the flexibility of the energy strategy.	> 5 years

PRU - example

Q11. What keeps you awake at night as a CEO?

A. Our markets have rebounded far stronger and faster than anyone could have envisaged a year ago. Given the positive momentum we now see across our business, most of my attention is focused on capitalising on the many opportunities in front of us.

Our success in achieving this will be underpinned by the quality of our people. I'm deeply passionate about their development, motivation, and our succession planning. Making sure we have the right internal talent for both today and for the future is a vital part of my job.

Supported by our financial strength, we started making strategic investments well before our end markets started to recover. This gave us an excellent head start for growth but there remains a lot to do. My ambition is that we emerge from the pandemic much stronger in every way, with significant profit runway ahead of us.

The pace of change in digitalisation has been breath-taking in the last few years, but it will only accelerate from here. This has big implications for all businesses, and as well as being at the forefront in helping clients find the digital talent they need to grow, we are continuously seeking to improve how clients and candidates engage with Hays and how we deliver back to them. Superior customer service is what should stand us apart from our rivals and we are actively designing how that experience can be improved across everything we do.

With increased digitalisation comes greater cyber threat. We take this threat extremely seriously and it occupies a central position at Board level. It is my job as CEO to be 'professionally paranoid' around the subject and do everything we can to protect our systems and our candidate, client and employee data. It is a continual battle, but our IT, Legal and Operations teams' level of engagement gives me great comfort as CEO. However, we can never be complacent.

We have all learned valuable lessons in the last year, me included. Those lessons are helping us transform our business in so many ways and we have raised our already-high ambitions for the Company to new heights. There's no reason why we cannot achieve them if we challenge ourselves hard, set aspirational targets and relentlessly focus on doing whatever we need to do to get there.

The ongoing cyclical recovery is a strong tailwind for us, but the long-term structural opportunities are where the real value lies, and we want to open up those opportunities sooner rather than later. But we must never forget that our business is about helping people. Last year we helped more than 280,000 people find their next job, and over 40,000 clients find the talent they need to grow. That's massive scale on a global stage, but next year those numbers will be even larger.

Never has our role in helping people develop their careers and finding highly skilled workers been as relevant. What we do is important to so many people's lives and I am honoured and privileged to lead a business that makes such a contribution to our societies and communities.

PRU - example

BUSINESS CONTINUITY OF SUPPLY CHAIN
5

Primary link to strategy

⬆️
⬆️
☆
✔️

Risk area and description
 Failure to maintain a secure supply of high quality products to our customers cause for example, incapacity of our production facilities, quality failure or restricted access to raw material supplies or transport links could lead to insufficient inventory and capacity of earnings and damage to reputation.

Mitigation
 It is our policy to keep capacity ahead of demand by continual investment in our supply chain so that our customers can be confident that we can meet their requirements today and in the future.

Supply chain management policies and processes are in place. Increases in demand are anticipated by and consistent supply is maintained through integrated business planning ("IBP") for which we have now been awarded Class A Standard.

Strategic supplier development and performance management to maintain the quality and security of supply of key raw materials.

During the period of Brexit and COVID-19 our expanded global warehousing capacity allowed us to maintain excellent customer service. We are now focused on supply risks as the world emerges from COVID-19 and taking similar proactive measures.

Change

↔️ No change

Viability statement links

Ⓟ Risk considered

Ⓟ Risk focused on in sensitivity analysis

NETWORK AND IT SYSTEMS AND SECURITY
6

Primary link to strategy

⬆️
⬆️
☆
✔️

Risk area and description
 Significant failure or interruption of IT systems could lead to business disruption interrupting key business operations.

Cyber-attack, breach could result in manipulation or destruction of and sensitive information and business operations.

Increased homeworking as a result of COVID-19 could lead to an increase in the risk of a breach.

Mitigation
 Victrex operates a multi-layered approach to providing IT system continuity and to protecting information assets.

Continued enhancements to IT infrastructure and defences are carried out, including using best of breed storage, firewall and machine learning anti-virus technologies. A project to improve network segregation and security of plant control systems has also been recently implemented.

Independent external experts are engaged to conduct assessments, including penetration testing, cyber health and awareness.

We align to the nationally recognised ISO 27001 standard for Information Security and have dedicated information security resource in place. We have also achieved Cyber Essentials Plus certified by MASS. We have mandatory training on information security, security policies and best practices.

We continuously review the latest threats and trends in information security and governance to ensure our protection is always current and effective. These measures have been further enhanced to improve protection during a period of extensive homeworking.

Change

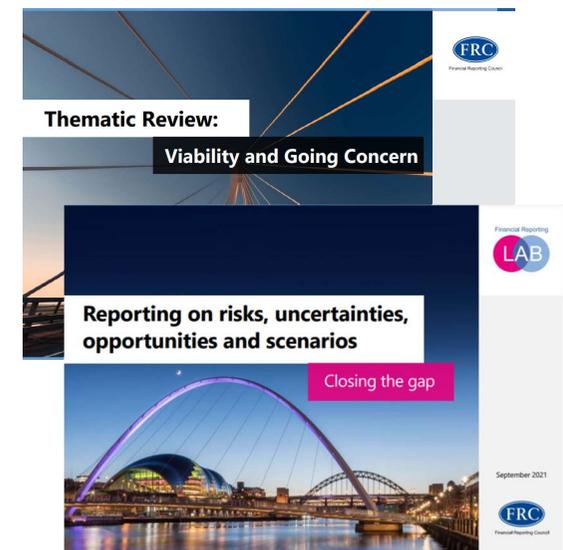
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Viability statement links

Ⓟ Risk considered

Longer term viability statement

The FRC provided the following clarifications for each component of a company's viability statement:



Assessment period

- The nature of the business & its stage of development
- Debt repayment profile
- Planning and investment periods
- Strategy and business model
- Capital investment
- Consistent with other forward-looking elements of the financial statements

Risk discussed

- Linkage to scenarios
- Explanation why included or excluded from the analysis

Resilience to risks and mitigating actions

- Clear description of mitigating actions that could be taken should the risk crystallise
- Clear description of resilience to the identified risks

Assumptions and judgements

- Include sufficient qualitative and quantitative analysis
- Tailored to the company's circumstances and scenarios