HEIDRICK & STRUGGLES

CEO & BOARD PRACTICE

In association with Legal & General Investment Management

Beyond the numbers:
A guide to better corporate reports

When it comes to corporate reporting, many companies satisfy their fiduciary duty yet fail to convey a clear representation of the company's performance, governance, composition, or prospects. They can do better.

Foreword

The goal of any company is to create value for its stakeholders — be they customers, employees, shareholders, or society as a whole. Unsurprisingly, companies spend considerable effort communicating to the world how they have done this and how they plan to do so in the future. When it comes to corporate reporting, however, many companies fall short: they may satisfy their fiduciary duty yet fail to convey a clear and honest representation of the company, its performance, its governance, its composition, and its prospects. This state of affairs benefits no one.

In our respective work with clients, we routinely work with and advise companies at both the board and senior management levels. We spend a great deal of time reviewing annual reports — many of them outstanding, others less so. Our experience leads us to believe that we might offer useful suggestions and advice to help companies improve the overall practice of their corporate reporting.

In the guide that follows, we offer suggestions, examples, and what we hope are actionable ideas on some of the best practices that we believe companies should consider to improve the clarity of their corporate reports. It represents the work of the combined teams of Heidrick & Struggles and Legal & General Investment Management and is intended to offer recommendations rather than prescribe, to suggest exemplars rather than pick favourites, and to do so in an accessible and informative manner.

In addition to addressing legal and regulatory requirements, we believe a good corporate report clearly addresses three concerns that investors, management, and boards have in common:

- How does the company grow?
- How does it address and manage risk?
- How does it build the capability to compete?

The best disclosure in an annual report connects effective governance, company strategy, and leadership talent and looks toward the future rather than looking back at historical events with rose-tinted glasses. It illuminates rather than obfuscates. Such disclosure helps a company shape its reputation, differentiate itself, and build confidence with investors — and ultimately provides a window into the company and its culture.

Whether it be through broadening and deepening the talent base or enhancing governance, the common goal is to improve business performance. Helping companies create better, more honest, and more transparent corporate reports ultimately helps achieve this aim.

We hope that you find this guide useful, and we welcome your comments and feedback.

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Heidrick & Struggles London, and
Head of UK CEO & Board Practice

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Legal & General Investment Management

Introduction

Despite efforts from stakeholders to persuade companies to make annual reports clearer and more concise, they seem to be getting longer and less clear. This stems largely from the pressure for enhanced disclosure driven by narrative reporting and the linkage to financials. Further, the related encouragement that reports be fair, balanced, and understandable has increased the use of infographics. Yet neither of these trends guarantees board reporting that provides investors with genuine insights into the current workings (let alone future prospects) of companies.

In this guide, Heidrick & Struggles, a global leadership advisory firm, and Legal & General Investment Management (LGIM), one of the United Kingdom's largest investment managers, offer views on best practices for board reporting, with supporting examples. Our view is straightforward: we prefer plain English over management jargon; we endorse infographics when they present information more clearly than do tables or prose; and we strongly encourage both brevity and honesty. In this vein, we follow examples such as the Financial Reporting Council's 2011 *Cutting Clutter* report[1] and Deloitte's *Annual Report Insights 2014—Providing a Clear Steer.*[2]

At Heidrick & Struggles, we have a long history of advising many of the largest companies in the world on succession planning, leadership talent, and culture shaping. At LGIM, we have a wealth of experience engaging with companies on governance and investment strategies. We use our scale to effect change. We both see companies that do corporate reporting well and some that do not. We know that, for investors, good and reliable corporate reporting fosters a healthy economy; it is simply good business. We aspire to raise the bar for the whole market.

In our judgement, the examples we chose (from among 2014 annual reports in the FTSE 100 and FTSE 250) show companies who have balanced disclosure and clarity while telling their value-creation story. Please note that, although we find these examples compelling, our analysis is not comprehensive.

[1] Financial Reporting Council (FRC), *Cutting Clutter: Combating Clutter in Annual Reports*, 2011, available on www.frc.org.uk.

[2] Deloitte, *Annual Report Insights 2014—Providing a Clear Steer*, available on www.deloitte.com/uk.

We have focused on four broad areas of corporate reporting:

Overview

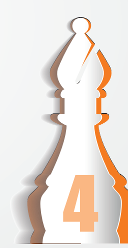
- Chairman's statement

Strategic report

- Strategy, business models, and key performance indicators (KPIs)
- Risk reporting
- Cybersecurity
- Sustainability

Governance

- Performance effectiveness reviews
- Diversity policy
- Remuneration policy and report
- Succession planning
- Disclosure on audit process, audit tender, and audit committee
- Director's report — board activities and shareholder engagement



Financial review

- Tax disclosure

Overview

CHAIRMAN'S STATEMENT

It should go without saying, but this standard reporting feature is best when actually written by the chairman. It should be an honest, personal appraisal of performance — discussing what went well and what did not. It should also look ahead to future prospects, with emphasis on elements within the firm's control (for instance, choosing how and where to compete) rather than on those outside its control (the global economy). It should also summarise the firm's efforts to sustain and build its board and executive talent pipeline.

It should reflect the voice of the chairman, uniquely sharing the chairman's perspective and mission of the company rather than being a duplication of the CEO or CFO's annual review.

A good example of such a statement is provided by Rijnhard van Tets, chairman of Petrofac:

"Against a difficult background and a disappointing financial performance, the Board has been systematically scrutinising [its] strategic direction. . . . For a Company that puts so much store by its track record, our pride has been hurt. . . .What struck me when I attended a portion of [the 2014 leadership conference] was the clear, across-the-board determination to learn from any shortcomings and re-commit to Petrofac's distinctive, delivery-focused culture. . . . Whilst nobody is complacent about the events of the last year, our ability to execute challenging contracts in difficult conditions remains a core competence.[3]"

Another example of a good chairman's statement is provided by Sir Philip Hampton, chairman of The Royal Bank of Scotland (RBS). Hampton keeps his message short and personal, looking back over his time as chairman and acknowledging both the initial difficulties in identifying the problems facing the bank and the progress made. The chairman's message has multiple references to the importance of focussing on the customer, a key part of the RBS strategy and cultural change program.

[3] Petrofac, *Annual Report and Accounts 2014*, p. 7, available on www.petrofac.com.

Source: RBS, *Annual Report and Accounts 2014*, pp. 6–7, available on www.investors.rbs.com

What we like:

- Short and concise
- Implicitly embeds strategic focus in key messages
- Acknowledges challenges
- Celebrates success
- Does not duplicate CEO statement and strategic review

2 Strategic report

Investors rely on corporate reporting to gain knowledge. A report on a company's strategy and business model should therefore enlighten, not confuse. It should make clear how and where the business chooses to compete, how it is organised for success, and how it makes money and adds shareholder value.

STRATEGY, BUSINESS MODELS, AND KEY PERFORMANCE INDICATORS (KPIs)

In our view, the best reports tell the company's story. They establish clear links between the firm's vision and mission and its strategy, while explaining the organisation's values and how they connect to its success. The company's narrative is clearly linked to the report's financial details, and the primary strategic messages echo throughout the document. Finally, the best reports offer context about the future, explaining how the company is positioning itself for the year to come.

Key performance indicators (KPIs) help flesh out the story. KPIs are most credible when they are on point, reflect the already-enumerated strategy, and relate directly to long-term success and value creation. They should be reliable, be consistently calculated year on year, offer historical context (at least five years), be clearly defined and linked to incentive arrangements, and provide a fair and balanced view of all aspects that drive company performance. They should be capable of reflecting all significant developments, positive or negative.

In the following example, ITV clearly defines and presents its KPIs and explains how the company has performed on those indicators during the year:

Source: ITV, *ITV Annual Report and Accounts 2014*, p. 34, available on www.itvplc.com/investors

BAE Systems and MoneySuperMarket also have done a good job in this respect:

Source: BAE Systems, *Annual Report 2014*, p. 12, available on http://investors.baesystems.com

Source: Moneysupermarket Group, *Moneysupermarket Annual Report and Accounts 2014*, pp. 2–3, available on http://corporate.moneysupermarket.com/investor

RISK REPORTING

All companies must manage a variety of risks, and their risk profiles and appetites will vary. Nonetheless, shareholders require a summary of the company's risk profile and a clear explanation of what has changed. Reviewing risks that are tangible, company-specific, and addressable is more useful than reviewing those that are not or focusing on risks that are beyond the company's control.

The report should discuss risks, actions taken, and mitigating factors in clear, concise, easy-to-understand language. The company's risk appetite should be discussed. Risks that are specific to the company, as opposed to those that apply to the industry as a whole, should be differentiated and new risks clearly identified. Investors understand that not everything can be guaranteed — risk reporting cannot be perfect — but they nonetheless want the company's best attempt.

Taylor Wimpey's approach to risk reporting makes clear who is accountable and includes easy-to-digest visuals:

Source: Taylor Wimpey, *Annual Report and Accounts 2014*, p. 26, available on www.taylorwimpey.co.uk/corporate

CYBERSECURITY

Cybersecurity is a growing area of concern for boards (though one that perhaps should be getting even more attention than it does).[4] Although there are no current reporting requirements in this area, investors increasingly want to know that boards are taking the issue seriously and that the right questions are being asked.

Boards must be stewards of the company's information infrastructure as well as any other corporate asset; the imperative for boards to be involved in this issue is discussed in the 2013 *FTSE 350 Cyber Governance Health Check*,[5] for example. In particular, we believe that boards need to do three things: 1) take ownership of the issue and not leave it to the IT department, including seeking training as necessary and arranging timely updates from IT management; 2) obtain evidence that risks are well managed, including results of rigorous external cyber audits; and 3) embed cyber awareness into the company's culture by emphasising the issue's importance to all employees and integrating protocols into daily operations. All of these matters should be included in the company's annual reports, with enough detail to shore up investors' confidence.

[4] For example, the ICSA's winter 2015 *FT-ICSA Boardroom Bellwether* report (p. 18) revealed that 82% of board members surveyed believe the risk of cyberattack to be increasing (the report is available on www.icsa.org.uk), but a recent EY review of annual reports showed only 17% of companies reporting on the issue (see *Annual Reporting in 2014: Reflections on the Past, Direction for the Future*, September 2015, p. 22, available on www.ey.com).

[5] HM Government, *FTSE 350 Cyber Governance Health Check: Tracker Report*, November 2013, available on www.gov.uk.

In Rio Tinto's 2014 annual report, the board describes technology risks that could adversely affect costs or productivity. As with any other risk, the board should conduct strategic analysis and make that analysis transparent to investors.

Source: Rio Tinto, ***2014 Annual Report***, p. 17, available on www.riotinto.com

In Vodafone's annual report, the company highlights the importance of customer data to the integrity of the business and describes the risks the company has identified, along with mitigating factors.

Source: Vodafone Group, ***Annual Report 2014***, pp. 34 and 47, available on www.vodafone.com

SUSTAINABILITY

Increasingly, investors want to be assured that companies are capable of sustaining themselves, knowing that failure to sustain will result in significantly eroded long-term value. In particular, investors want companies to discuss the risks they face — ranging from day-to-day workforce issues of health and safety to long-term environmental issues such as climate change — and to make clear the concrete actions they are taking to address these risks. The best disclosures in annual reports are those in which companies set out their main issues and explain how they engage their stakeholders constructively and with integrity, without ceding their stakeholders' rights and responsibilities.

Companies must communicate the ways in which their business strategy is linked to growth, long-term investment, and sustainability and how they view their broader role in society. Such integrated reporting drives integrated thinking and behaviours, all of which support sustainability throughout the enterprise and make possible a powerful value-creation story. Unilever is a company that does this well. The following examples from Unilever's 2014 annual report show how sustainability is embedded into the company's strategy and how the resulting risks are addressed:

Source: Unilever, *Annual Report and Accounts 2014*, p. 15, available on www.unilever.com

Sustainability is discussed in Unilever's annual report as one of its principal risks. The report goes on to discuss how the board deals with this risk:

SUSTAINABILITY

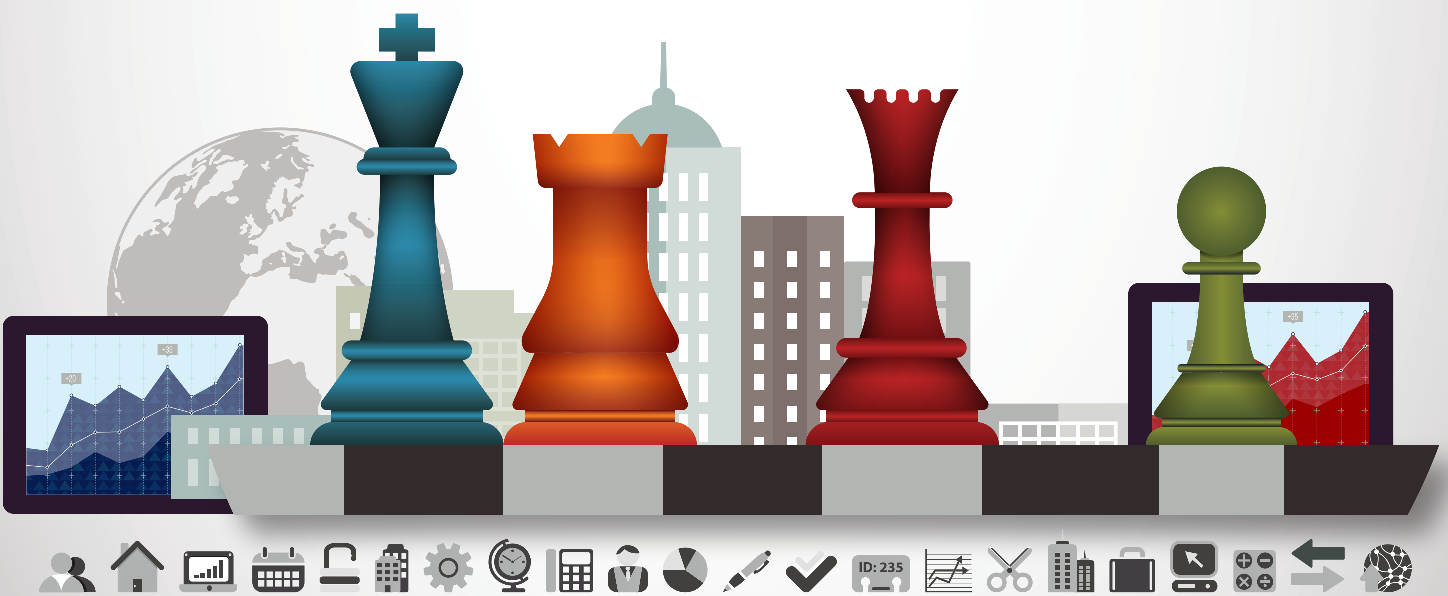
The success of our business depends on finding sustainable solutions to support long-term growth.

Unilever's Vision to double the size of our business while reducing our environmental footprint and increasing our positive social impact will require more sustainable ways of doing business. This means reducing our environmental footprint while increasing the positive social benefits of Unilever's activities. We are dependent on the efforts of partners and various certification bodies to achieve our sustainability goals. There can be no assurance that sustainable business solutions will be developed and failure to do so could limit Unilever's growth and profit potential and damage our corporate reputation.

The Unilever Sustainable Living Plan sets clear long-term commitments to improve health and well-being, reduce environmental impact and enhance livelihoods. Underpinning these are targets in areas such as hygiene, nutrition, sustainable sourcing, fairness in the workplace, opportunities for women and inclusive business as well as greenhouse gas emissions, water and waste. These targets and more sustainable ways of operating are being integrated into Unilever's day-to-day business.

Progress towards the Unilever Sustainable Living Plan is monitored by the Unilever Leadership Executive and the Boards. The Unilever Sustainable Living Plan Council, comprising six external specialists in sustainability, guides and critiques the development of our strategy.

Source: Unilever, *Annual Report and Accounts 2014*, p. 50, available on www.unilever.com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3 Governance

Good corporate governance aligns the actions of executive management and the board with the interests of stakeholders. It is paramount that disclosures in this area are effective in providing transparency on how the company is governed. This helps to reassure the market that it is protecting and maximising long-term shareholder value through its actions and decision-making process. What follows are a few areas of interest for stakeholders, which can give good insights on the workings of a board.

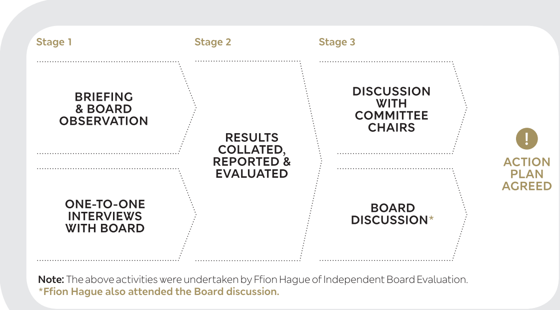
PERFORMANCE EFFECTIVENESS REVIEWS

The UK Corporate Governance Code states that companies should conduct a formal and rigorous annual evaluation of the board's performance, committees, and individual directors. For FTSE 100 and FTSE 250 companies, the code recommends that a board review conducted by an external party should be carried out at least once every three years.

Certainly, most boards consider themselves effective yet understand there is always room for improvement — areas that, with additional focus, could create more value. The best board effectiveness reviews consider the fit between board composition and company strategy and operations. When reporting on these reviews, companies should make their methodology transparent and should detail an action plan as to how their board will address the issues the reviews identify. Such reviews can help a company's board evolve, while giving shareholders visibility into the board's efforts, and ultimately provide more confidence that the board is striving to be the best it can be.

For example, a performance review exercise may identify necessary skills, knowledge, or experience that are absent in the boardroom meetings. This uncovering may spur the board to review its composition and increase its effectiveness by appointing new board members who can provide truly fresh insights from diverse perspectives. This improves decision making and maximises the value of the board.

Marks & Spencer's 2015 annual report offers an example of an effective report on a board performance review (note that Marks & Spencer's year end is March; therefore, this 2015 report covers the year 2014):



Source: M&S, *Annual Report & Financial Statements 2015*, p. 41, available on http://annualreport.marksandspencer.com

"The ethos and culture of the Board is positive and remains in line with the last independent review in 2012. Overall, the Board rated its performance as acceptable in the areas of governance and compliance, shareholder accountability and relationships, induction, and succession planning. . . . The Board review was conducted in December 2014 and January 2015 when M&S's performance was under particular scrutiny, with operational issues affecting the Castle Donington distribution centre and M&S.com. Given this context, members were particularly open, objective and critical with respect to Board performance and the potential changes that should be implemented to improve overall Board effectiveness. . . ."

"Board Committees were also reviewed and were all considered well run, challenging, structured, trusted and effective. Members noted that committees were improved in terms of quality of information and support from management. Feedback from each Committee meeting to the main Board was felt to be full and transparent, particularly in relation to Audit and Remuneration."

InterContinental Hotels Group (IHG) provides a clear and simple graphic of its board performance evaluation and action plan in its 2014 annual report:

2014 Board effectiveness evaluation observations and action plan:

Observations	Action to be taken
Increase the Board's focus on brands	Deep dives into each brand strategy to be provided to the Board.
Enhance the Board's understanding of competitors' strategy and performance	Presentations on competitors' strategies and offerings. Competitive analysis to be included in both financial results and strategic reviews.
Increase the Board's exposure to the Group's US business	Ensure opportunities are secured for meeting with the newly appointed Chief Executive Officer for The Americas region. Increase the Board's understanding of the Kimpton brand. Deep dives into the strategy for core brands in the US. Firmer understanding of the EVEN Hotels brand's growth strategy.

Source: IHG, *Annual Report and Form 20-F 2014*, p. 64, available on www.ihgplc.com

IHG explains its evaluation process in the annual report:

"Our 2014 evaluation was conducted internally. Each member of the Board completed an effectiveness questionnaire, which centred around the progress against actions identified in our 2013 Board effectiveness evaluation. Key areas included the regularity of meetings, appropriateness of location (especially in enabling us to gain a better understanding of our business), the decision-making process, executive management succession planning, impact of internal and external technology developments, and risk management and assurance oversight. It also invited Directors to make other general or specific observations. The results were analysed and the report was presented for discussion at the Board's February 2015 meeting."[6]

[6] IHG, *Annual Report and Form 20-F 2014*, p. 64, available on www.ihgplc.com.

DIVERSITY POLICY

FTSE 100 boards experienced a landmark year in 2014, as it marked an end to all-male boards. In 2015, UK boards hit the 25% voluntary business target for women on boards that had been set by the Davies Steering Committee four years earlier. As gender diversity at the top improves slowly, companies should explain clearly how they are improving levels of diversity in all forms throughout the executive talent pipeline — including seeking diverse points of view as a safeguard against the dangers of 'groupthink.'

Annual reports should therefore provide greater transparency about diversity policies and executive and non-executive succession plans. Furthermore, the company's human capital management should link to its strategy and be led by the CEO.

A transparent and goal-oriented statement, with numbers as they relate to composition of the company's employees, should provide a benchmark for readers to track progress over the coming years. Knowing how the board assures itself of suitable focus and progress would be particularly valuable.

Lloyds Banking Group has set out its diversity and inclusion strategy in this way:

"We want our Group to be a genuinely inclusive place to work, with every colleague treated fairly, with dignity and respect. We've made public commitments and set bold targets on diversity and inclusion in our Helping Britain Prosper Plan. These include commitments to: increase the proportion of senior management roles held by women; retain our Gold Standard as a disability-confident organisation; and increase the engagement scores of ethnic minority colleagues, disabled colleagues and lesbian, gay, bisexual and transgender colleagues, measured via our Colleague Survey. We plan to make more diversity and inclusion pledges in the future, as we work to build a culture in which all colleagues can be themselves at work and progress solely on the basis of merit."

"We always aim to appoint the best person available into any role, but also to attract talented people from diverse backgrounds and to be unbiased in the way we assess, select, appoint and promote them. We encourage job applications from those with a disability and run a work experience programme with Remploy to support people with disabilities wanting to enter the workplace. We offer a range of programmes to support disabled colleagues including the workplace adjustment programme, which provides physical and non-physical adjustments to support colleagues in their roles."[7]

[7] Lloyds Banking Group, *Annual Report and Accounts 2014*, p. 28, available on www.lloydsbankinggroup.com/investors/financial-performance/lloyds-banking-group.

Lloyds goes on to show the composition of its workforce:

		2014 Number	2013 (Restated) Number
Board members	Male	**10**	8
	Female	**3**	3
Senior managers[1]	Male	**5,644**	6,138
	Female	**2,204**	2,353
Colleagues[1]	Male	**35,255**	39,955
	Female	**47,728**	56,167

[1]Colleague scope of reporting: UK payroll headcount includes established and fixed term contract colleagues. Excludes parental leavers, Non-Executive Directors, contractors, temp, agency and internationals.

	2014 %	2013 (Restated) %
Gender:		
Percentage of colleagues who are female[2]	**58.6%**	58.7%
Female managers[2]	**45.4%**	45.1%
Female senior managers[2]	**29.3%**	28.5%
Disability:		
Percentage of colleagues who disclose they have a disability	**1.3%**	1.4%
Ethnic background:		
Percentage of colleagues from an ethnic minority	**6.8%**	6.4%
Ethnic minority managers	**6.2%**	5.8%
Ethnic minority senior managers	**3.5%**	2.9%
Sexual orientation:		
Percentage of colleagues who disclose they are lesbian, gay, bisexual or transgender	**0.6%**	0.8%

[2]Diversity scope of reporting: UK payroll headcount includes established and fixed term contract colleagues and parental leavers. Excludes Non-Executive Directors, contractors, temp, agency, internationals, TSB, SWIP and Sainsbury's.

Seniors managers: Grades F+

Mangers: Grade D-E

Data source: HR system (HRIS). Apart from gender data, all diversity information is based on colleagues' voluntary self-declaration. As a result this data is not 100 per cent representative; our systems do not record any diversity data for the proportion of colleagues who have not declared this information.

Source: Lloyds Banking Group, *Annual Report and Accounts 2014*, p. 28, available on www.lloydsbankinggroup.com/investors/financial-performance/lloyds-banking-group

Another good diversity disclosure can be found in Marks & Spencer's *Plan A Report 2014*. The company outlines a specific goal and aim for employee diversity:

Employee diversity

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Employee diversity**

Aim: We will report on gender diversity in the UK, RoI and our wholly owned businesses worldwide by 2015, we will aim for 30% female board members and 35% women in senior roles.

Progress: On plan We've extended this commitment and set new targets. As of March 2014, 29% of our Board and 39% of employees in senior management roles were women.

In 2014, we were again listed in The Times top 50 Employers for Women.

UK and RoI diversity
At present we cannot report on employee diversity from other International locations. In order to track progress on youth employment at M&S, this year we've added data on employees under 25 years of age.

Gender

% of total UK workforce	Women employees	Women managers^	Women store managers	Women in senior management (top 120)
2014	73%	58%	48%	39%
2013	74%	64%	49%	35%

^ Management is defined as people with first line supervisory responsibilities or professional and technical specialists.

Ethnicity

% of total UK workforce	Employees from ethnic minority backgrounds	Managers from ethic minority backgrounds^
2014	11%	14%
2013	12%	13%

^ Management is defined as people with first line supervisory responsibilities or professional and technical specialists.

Age and experience

% of total UK workforce	Employees under 25 years of age	Employees over 50 years of age	Employees over 61 years of age	Employees over 65 years of age	Employees with over 11 years service
2014	20%	32%	7%	3%	25%
2013	N/A	33%	10%	3%	28%

All data as of March.

Source: M&S, *Your M&S Plan A Report 2014*, p. 16, available on http://planareport2014.marksandspencer.com

In the final Women on Boards report published by Lord Davies in October 2015, the recommendation is for 33% of all board seats in FTSE 100 and FTSE 250 companies to be held by women by 2020[8]. The new recommendations have spurred others to review and disclose other areas of diversity consideration: ethnicity, disability, sexual orientation, and generational diversity. Business Secretary Sajid Javid has asked Baroness Ruby McGregor-Smith, in 2016, to lead a review that will look at the issues faced by businesses in developing the talents of black and minority ethnic (BME) people.

Reviews such as this and reporting on the gender pay gap require annual reports to disclose a different set of data points. In so doing, this will help companies prepare for the government's new rules on gender pay gap reporting that will come into effect in 2018.

[8] Department for Business, Innovation & Skills, *Women on Boards: Five Year Summary (Davies Review)*, October 2015, available on www.gov.uk.

REMUNERATION POLICY AND REPORT

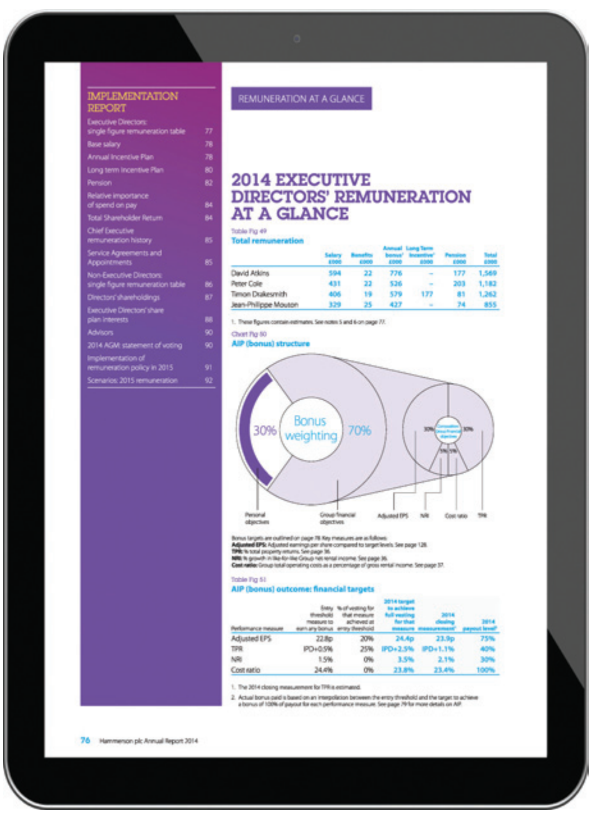
Following recent legislative changes and the compulsory requirement for companies to put remuneration policy to a shareholder vote at least once every three years, the directors' remuneration report has lengthened considerably — in some cases, with a corresponding decline in clarity. The best reports employ graphics to aid understanding, avoid extensive footnotes or cross-referencing, and use plain English.

The whole purpose of incentive arrangements is to motivate management to develop and execute company strategy and create value for its stakeholders.

Whilst it is now accepted practice that base pay should be proportionate to the role and increases should reflect pay increases in the company generally, it is critical that business strategy and variable award-for-performance measures be linked and that the remuneration report makes that linkage clear. This enables stakeholders to hold management to account for their performance.

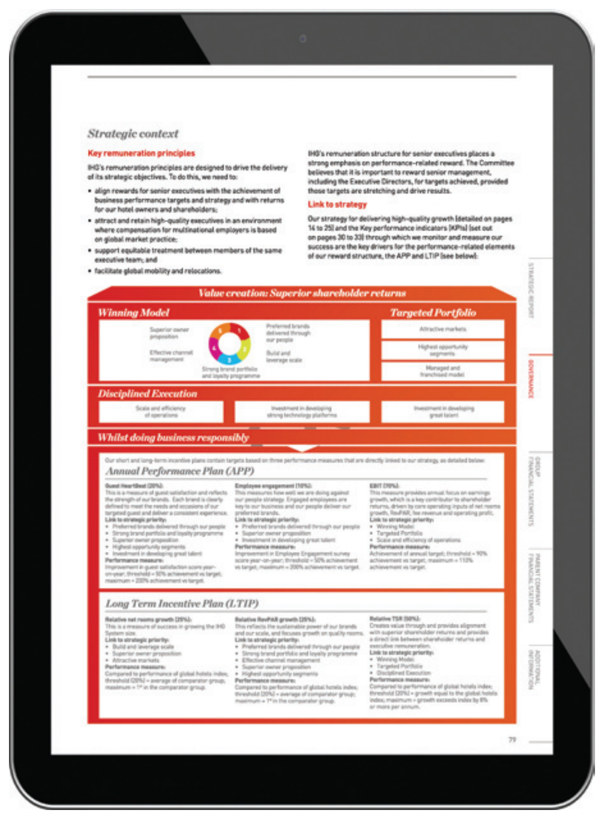
Performance measures should mirror the actual/adjusted numbers reported to the market, without modification; they should not attempt to ameliorate market troughs or peaks. Simplicity, honesty, and transparency are keys to a well-written remuneration report that will educate readers on a company's strategy and how pay is aligned to its delivery.

Hammerson, for example, was recognised for Best Executive Remuneration Reporting in the FTSE 100 in PwC's 2014 Building Public Trust Awards for its excellence in presenting its remuneration for directors in its annual report:



Source: Hammerson, *Annual Report 2014*, p. 76, available on www.hammerson.com

Another good example of the link between strategy and targets comes from IHG:



Source: IHG, *Annual Report and Form 20-F 2014*, p. 79, available on www.ihgplc.com

REMUNERATION COMMITTEE CHAIRMAN'S LETTER

Chairmen's letters written by actual chairmen, rather than by consultants or company insiders, show investors that the chairman takes responsibility for the stewardship of the committee. In particular, investors want to know the issues addressed, challenges faced, and discretion exercised by the remuneration committee during the year.

In the annual statement on remuneration, Jeremy Wilson, remuneration committee chairman at Tullow Oil, summarises major decisions made in 2014, performance and reward for 2014, the executive director remuneration policy for 2015, and shareholder dialogue:

Corporate Governance
REMUNERATION REPORT

ANNUAL STATEMENT ON REMUNERATION

The Remuneration Committee is focused on ensuring Executive Directors are rewarded for long-term performance, rather than short-term returns.

JEREMY WILSON
CHAIRMAN OF THE REMUNERATION COMMITTEE

DEAR SHAREHOLDER

On behalf of the Board, I am presenting the Remuneration Committee's report for 2014 on Directors' remuneration – my first report after taking over from David Bamford as Committee Chairman after the 2014 AGM. The report is split into three main sections:

- This Annual Statement, which provides a summary of the year under review and the Committee's intentions going forward.
- The Directors' Remuneration Policy Report, which sets out the three-year Directors' remuneration policy for the Company which commenced 1 January 2014 and became formally effective from the 2014 AGM. While disclosure of this part of the report is not required this year, this section has been included again in line with best practice; and
- The Annual Report on Remuneration, which provides details of the remuneration earned by Directors in the year ended 31 December 2014 and how the policy will be operated in 2015.

Summary of major decisions made in 2014

There was a radical overhaul of pay for Executive Directors and Senior Managers at the start of 2013, which resulted in the introduction of the Tullow Incentive Plan (TIP). This plan combines an annual bonus and long-term incentive linked to a set of stretching financial, operational and total shareholder return (TSR)-related objectives, explicitly linked to the achievement of Tullow's long-term strategy. The Committee has continued to operate this remuneration policy during 2014 and will continue to do so during 2015. As such, the major work of the Committee involved: the monitoring of this plan under the 2014 targets (KPIs); the application of appropriate discretion where applicable; and the setting of targets for 2015.

Performance and reward for 2014

At the start of 2014, Executive Director base salaries were frozen to reflect the challenging market background. The performance targets set for 2014 in respect of the TIP awards to be granted in 2015 were challenging in the context of the time and proved even more so as the year progressed.

It is disappointing to report that the targets in production, opex, exploration and portfolio monetisation were missed and these contributed to our poor share price performance and a nil contribution for the TSR measure, which made up 50% of the scorecard. However, the Executive team performed well in the area of Safety, Sustainability and External Affairs and on a number of the longer-term strategic objectives. In particular, regional developments in Ghana around Jubilee and the TEN Project and in East Africa were strong. Moreover, objectives around funding resilience, risk management and delivery of Pathway were mostly met. The net result of these various factors produced an overall KPI scorecard performance of 23%, resulting in a cash bonus of 69% of salary and a further 69% of salary awarded in shares which will be deferred 50% over four years and 50% over five years. The Committee believes this longer-term vesting period that was introduced with the TIP is in line with shareholder desire for Executive Directors to be rewarded for long-term performance rather than short-term returns. The 2012 PSP Awards, where vesting in 2015 was based on relative TSR performance over the three years ended 31 December 2014, did not vest as a result of Tullow's below-threshold TSR over the performance period.

Executive Director Remuneration Policy for 2015

As we looked forward to set the salary levels and TIP performance targets for 2015, the Committee wanted to recognise the ongoing challenging environment, the revised strategy and the need to streamline and refocus the business. We also wanted to recognise and reward the talent and continued commitment of the Executive team, albeit in light of market conditions. The result of these deliberations has led to a freeze in fixed pay for the second year running and a set of KPI targets which include TSR performance (50%), strong production of Jubilee, and the ongoing delivery of the TEN development as well as developments in Uganda and Kenya. Stretching financial metrics and a strong balance sheet are also included in the scorecard as well as measures to deliver on the longer-term growth strategy of the Company. Details of the actual targets are currently commercially sensitive and will therefore be disclosed in the 2015 Annual Report. Finally, in line with the pay freeze, the Committee has agreed with the Executive Directors to reduce the maximum award available under the TIP in 2015 from 600% to 500% of salary.

Shareholder dialogue

The Committee encourages dialogue with the Company's shareholders. It will consult major shareholders ahead of any significant future changes to remuneration policy although it is intended that the policy, for which shareholder approval was obtained at the 2014 AGM, will remain in operation until the end of the three-year period originally intended. On behalf of the Board, I would like to thank shareholders for their continued support. Should any shareholder wish to contact me in connection with the Group's Senior Executive remuneration policy, they may email me at: remunerationchair@tullowoil.com.

Jeremy Wilson
Chairman of the Remuneration Committee

10 February 2015

COMPONENTS OF REMUNERATION

FIXED PAY
BASE SALARY
+
PENSION & BENEFITS
Pension
Benefits
Medical Insurance
Permanent Health Insurance
Life Assurance
+
PERFORMANCE RELATED
TULLOW INCENTIVE PLAN
Annual award of cash (up to 100% of salary)
Balance awarded in shares (up to 500% salary)
=
TOTAL REMUNERATION

Glossary

AGM	Annual General Meeting
Capex	Capital expenditure
DSBP	Deferred Share Bonus Plan
EHS	Environment, Health & Safety
ESOS	2000 Executive Share Option Scheme
HMRC	Her Majesty's Revenue and Customs
Opex	Operating expenses
PSP	Performance Share Plan
SIP	UK Share Incentive Plan
TIP	Tullow Incentive Plan
TSR	Total Shareholder Return

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www.tullowoil.com 89

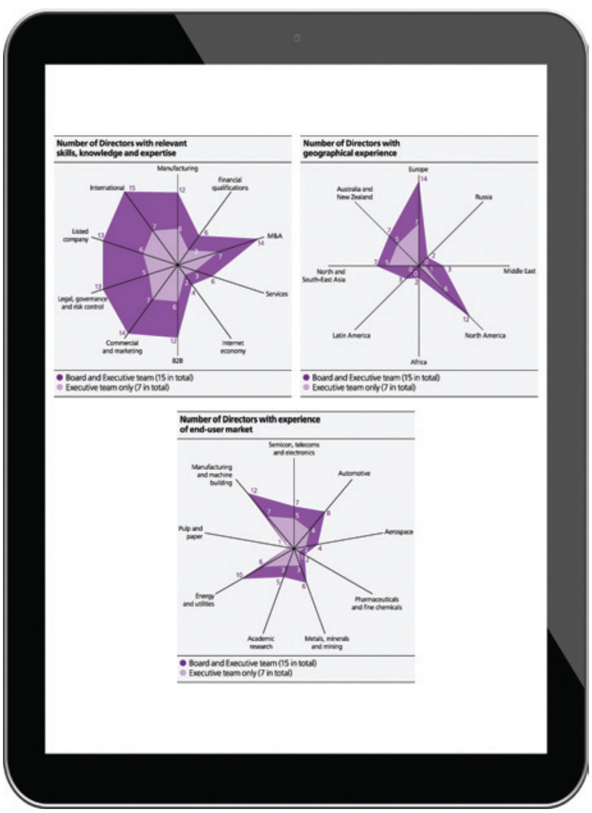
Source: Tullow Oil, 2014 *Annual Report & Accounts*, pp. 88–89, available on www.tullowoil.com

SUCCESSION PLANNING

Reports must address the critical issue of succession planning. Investors want to know how the board is ensuring that employees with the highest potential are spotted, developed, and retained and how the company ensures that its people at the top are first class, fit for purpose, and possess skills well suited to the company's strategic direction.

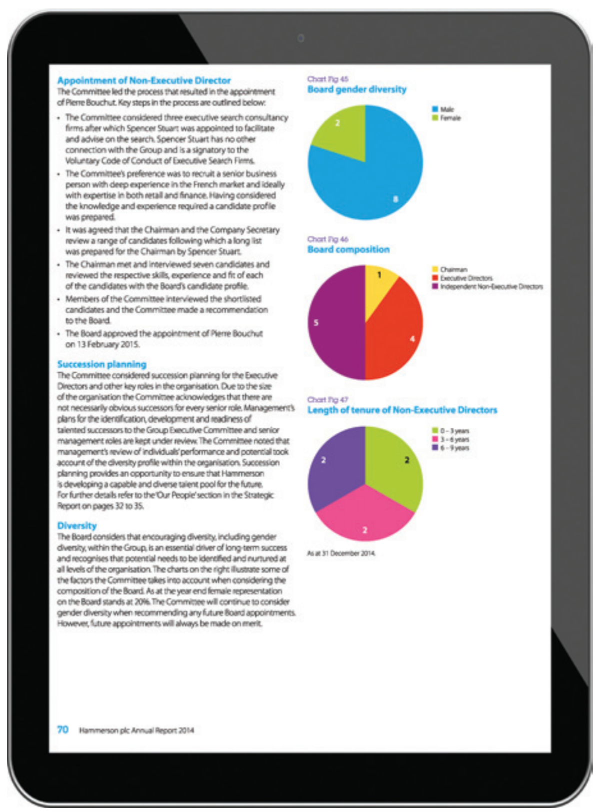
In order to ensure succession planning is effective, it is important that the company discloses the current makeup of the board and what value the directors bring to the company.

Here's an effective graphic example of this from Spectris:



Source: Spectris, *Annual Report and Accounts 2014*, p. 46, available on www.spectris.com

See also this example from Hammerson, which shows its mix of skills and diversity in the boardroom:



Source: Hammerson, *Annual Report 2014*, pp. 69–70, available on www.hammerson.com


KING
LEADERSHIP
QUEEN
GLOBAL
KNIGHT
FUTURE
PAWN
REPORTING
ROOK
FINANCIALS
BISHOP
SUCCESSION PLANNING

DISCLOSURE ON AUDIT PROCESS, AUDIT TENDER, AND AUDIT COMMITTEE

In its *Annual Report Insights 2014—Providing a Clear Steer*, Deloitte reported that about two-thirds of companies include their audit committee reports in a separate section of their annual reports,[9] reflecting the committee's rising profile. Committee chairs are also producing introductions to this section; as with the company chairman's letter, these introductions should be clear, honest, and personal.

[9] Deloitte, 'Annual reports keep growing, but how useful is the information?' press release, October 8, 2014, available on www.deloitte.com/uk.

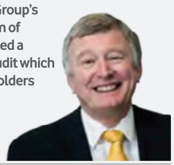
Above all, investors want the committee to make clear that external auditors are independent of company management, constructive critics of the firm, and thorough in their review. They also want audit committee reporting to focus on actions taken during the year and to address any relevant commentary from the auditor's report to shareholders.

Following the 2014 EU Audit Directive, firms must conduct competitive tendering for an external audit at least once every 10 years and must rotate auditors at least once every 20 years. While rotation is good policy, firms must manage it well, be clear about their process and timetable, explain how auditors are chosen, and identify and mitigate conflicts.

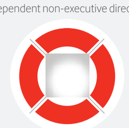
In this example, Vodafone graphically presents the work of its audit and risk committee and the committee's audit tender process:

Audit and Risk Committee

"Our work continued to focus on the appropriateness of the Group's financial reporting, the rigour of the external and internal audit processes, the Group's management of risk and its system of internal controls. We also conducted a tender for the Group's statutory audit which resulted in the proposal to shareholders to confirm the appointment of PricewaterhouseCoopers LLP as Group auditors for the 2015 financial year."



Membership:



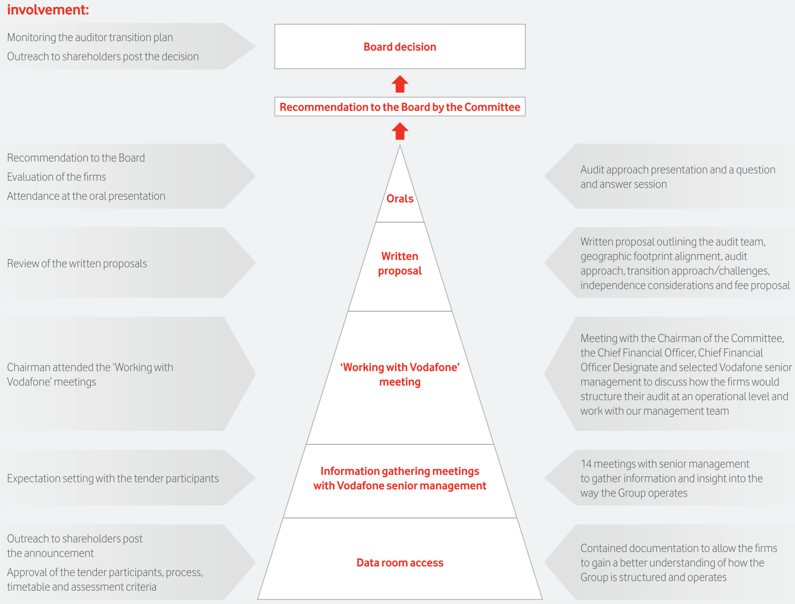
Key objective:
the provision of effective governance over the appropriateness of the Group's financial reporting including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor and oversight over the Group's systems of internal control, business risks and related compliance activities.

Responsibilities:

- reviewing our financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of our accounting policies and practices including those identified as critical and requiring further disclosure;
- advising the Board on whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- overseeing the relationship with the external auditor;
- reviewing the scope, resources, results and effectiveness of the activity of the Group internal audit department;
- monitoring our compliance efforts in respect of section 404 and section 302 of the US Sarbanes-Oxley Act;
- considering and making recommendations to the Board on the nature and extent of the significant risks the Group is willing to take in achieving its strategic objectives;
- overseeing the Group's compliance processes; and
- performing in-depth reviews of specific areas of financial reporting, risk and internal controls.

Audit tender process

In November 2013, having considered the changes to the UK Corporate Governance Code and the notes on best practice issued by the Financial Reporting Council, the Audit and Risk Committee decided to put the audit for the 2015 financial year out to tender. The tender process and the Committee's involvement in the process are outlined below.



Source: Vodafone Group, ***Annual Report 2014***, pp. 60 and 63, available on www.vodafone.com

Tender of External Audit Services

EY and their predecessor firms have been the Company's auditors since the Company listed in 1937. We have been very satisfied with the effectiveness of the external audit process and the quality of the audit and have undertaken a number of measures to ensure that the external auditor has continued to maintain its independence. However, in common with a number of other companies, as we explained in our Audit Committee Report last year, we recognised in 2014, that it was the right time to put the external audit out to tender.

During the early summer of 2014, I led a process to select a new external auditor for the year ending 31 December 2015. I worked with the Group's procurement function and established a Steering Committee comprising myself, Brian Larcombe, member of the Audit Committee and Senior Independent Director, Julie Brown, the Chief Financial Officer, Susan Swabey, the Company Secretary and Dan Baker, Senior Vice President Group Finance. Given the size, complexity and geographical scope of the business, we invited Deloitte, KPMG and PwC to take part in the tender for carrying out our external audit. In addition, in light of the emerging rules from Europe, we reached mutual agreement with EY that they would not take part in the tender process.

Prior to the commencement of the tender process, each firm was invited to make a presentation to the early April Audit Committee meeting on a project on which they had recently been working with the Company. This was to ensure that each firm had sufficient exposure to the Audit Committee prior to the financial tender.

We were conscious that the audit tender process is time and resource consuming, both for the firms involved and for the Company, and were therefore determined to have a concise yet thorough process, ensuring equivalent access to management for each firm. We undertook the following process over just six weeks:

1. Late May – Issued the request for tender.
2. Late May – Participating firms attended a joint workshop over a period of two days. This included a group meeting with all firms with a series of presentations from key members of management, explaining their key expectations from the external audit process, as well as a series of individual meetings with management.
3. Late May – Each firm was granted access to key senior members of management in a structured programme following the workshop, and then given access to senior managers and finance staff throughout the Group to help them understand the business further.
4. End June – Each firm submitted their written tender document covering predetermined areas of focus, including risk identification, audit approach to risks and audit scope. These written tenders also included the proposed audit fee, as we believed that as well as ensuring the quality of the audit, we also needed to have regard to the sensible containment of costs.
5. Early July – In the week leading up to the presentation, each audit firm was asked to prepare a response to an audit query, the same query for each firm, to simulate real life working and allow the Steering Committee to assess how well they responded to a request at short notice and how they interacted with the Committee on a technical issue.
6. Early July – Each firm was asked to make a presentation to the Steering Committee explaining why we should select them as our external auditors.
7. Early July – Following the presentations and further discussions, the Audit Committee met and considered the recommendation of the Steering Committee and agreed to appoint KPMG LLP as our external auditors for the 2015 financial year. A resolution to this effect will be submitted to shareholders for approval at the Annual General Meeting.

Throughout the process, we were mindful of the need to preserve the independence of the external audit. As part of the tender, each firm was required to disclose all existing relationships with the Company and explain their proposals for ensuring that these relationships would not cause any conflict of interest after 1 January 2015. Given that up until 2008, I was Senior Partner in London with KPMG, we were aware that there might be some concerns about my independence. In order to address this, our Chairman Roberto Quarta joined the Steering Committee for the final stage of presentations to ensure impartiality was maintained. We also noted that other senior members of the finance team had recently joined the Company from other tendering firms.

We chose KPMG to be our external auditors as we felt that they had demonstrated that they understood our business and risks well and could work both constructively and in a challenging manner with our management and provide the Audit Committee with the assurances we would need to fulfil our role.

The audit of the 2014 Annual Report and Accounts will therefore be the last external audit to be conducted by EY. I should therefore like to record my thanks to EY and their partners and staff for their many years of excellent service to the shareholders of Smith & Nephew. As Chairman of the Audit Committee for the past five years, I have enjoyed working with them and have valued the insights and professionalism they have brought to the Audit Committee meetings.

Risk Management and Internal Control

On behalf of the Board, we reviewed the system of internal financial control and satisfied ourselves that we are meeting required standards both for the year ended 31 December 2014 and up to the date of approval of this Annual Report. No concerns were raised with us in 2014 about possible improprieties in matters of financial reporting.

In coming to this conclusion:

- We received regular reports from the Internal Audit and Group Finance functions on their findings from the reviews undertaken throughout the year, both from an internal audit perspective and also with regard to compliance with the Sarbanes-Oxley Act.
- We requested and reviewed a report mapping Group level risks and related control assurance.
- We requested various reports from management relating to specific risks identified through the risk management process. Our Risk Management Framework is underpinned by Business and Functional Risk Registers that highlight the risks identified and the probability and impact of risk to the Group, as well as mitigation plans. The most significant of these risks are considered by the Group Risk Committee for inclusion on a Group Risk Register. The effectiveness of the framework is reviewed annually by Internal Audit and by the Audit Committee. In 2014, the Audit Committee concluded that the framework was effective.

Smith & Nephew Annual report 2014 79

Source: Smith & Nephew, *Annual Report 2014*, p. 79, available on
www.smith-nephew.com/news-and-media

Here, Smith & Nephew explains its audit tender process.

Evraz's statement from the company's auditor to shareholders gives sufficient detail on the activities of the auditor at the company and how it has performed its assessment.

Independent Auditor's Report To The Members Of EVRAZ PLC

We present our audit report on the Group and Company Financial Statements (as defined below) of EVRAZ plc, which comprise the Group Primary Statements and related notes set out on pages 115 to 192 and the Company Primary Statements and related notes set out on pages 193 to 201.

Opinion on the Financial Statements

In our opinion EVRAZ plc's Financial Statements (the "Financial Statements"):
- give a true and fair view of the state of the Group and of the Parent Company's affairs as at 31 December 2014 and of the Group and Parent Company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Overview

Materiality	Overall Group materiality of \$62.8 million which represents 2.7% of EBITDA
Audit scope	We performed an audit of the complete financial information of five components and audit procedures on specific balances, where we consider the risk of material misstatement to be higher, for a further 10 components. The 15 reporting components where we performed audit procedures accounted for 87% of the Group's EBITDA and 90% of the Group's revenue (of which 71% and 66% of these metrics were covered by full scope components). For the remaining 54 reporting components in the Group we have performed other procedures appropriate to respond to the risk of material misstatement. We have obtained an understanding of the entity-level controls of the Group which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.
Areas of focus	Goodwill and non-current asset impairment. Going concern. Political disturbances and economic sanctions. Impact of foreign exchange rate fluctuations. Changes in reportable segments.
What has changed	Changes in our scope since the 2013 audit included increased procedures undertaken on the Group's North American operations in response to the potential IPO of that part of the business and a reduction in scope of some of the Group's Russian operations, following the removal of the requirement for separate audited financial statements in respect of the Russian entities in the current year, we have assessed their scope solely based on their potential impact on the financial results and position of the Group. We increased our focus on the risks associated with political disturbances and economic sanctions in the current year due to the evolving situation in Russia. The focus on the Group's assets held for sale reduced as a result of the decrease in the significance of these assets. The impact of foreign exchange and segmental reporting are new areas of focus for the current year given the significant devaluation of the Russian Rouble in the year and changes to internal management reporting.

Our application of materiality

The scope of our work is influenced by materiality. We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

As we develop our audit strategy, we determine materiality at the overall level and at the individual account level (referred to as our "performance materiality").

Materiality \$62.8 million → Performance materiality \$31.4 million → Reporting threshold \$3.1 million

108 EVRAZ plc Annual Report and Accounts 2014

Source: Evraz, *Annual Report and Accounts 2014*, p. 108, available on
www.evraz.com

DIRECTOR'S REPORT— BOARD ACTIVITIES AND SHAREHOLDER ENGAGEMENT

Investors must invariably study the company from the outside. It's up to the board of directors, therefore, to build market confidence with clear, concise, engaging reporting that helps ensure transparency.

The best reports tell the company's story, bring to life any issues and concerns the board addresses, and explain which ones the board feels are worthy of engagement with shareholders during the year.

In the examples that follow, UBM and Provident Financial Group (PFG) show proper disclosure, contact with investors, and discussion of issues:

Summary of governance

What has the Board achieved during the year?

Strategy

- Strategy reviews throughout the year:
  - a strategy and scene-setting discussion in May 2014;
  - followed by a strategy review in October 2014; and
  - approved new 'Events First' strategy in November 2014
- Approved proposal to acquire Advanstar for $972m
  - Asked shareholders to approve a four for five rights issue to part fund the acquisition in November 2014
  - 197m new shares began trading on 12 December 2014
  - Completed acquisition of Advanstar on 18 December 2014

People

- Recruited and appointed new CEO
- Recruited and appointed two new independent Non-Executive Directors
- Approved new Diversity Policy which aims to increase the proportion of female Directors on the Board to 30% by the end of 2015
- Considered succession planning for Executive and Non-Executive roles

Values and governance

- Launched UBM Commitments, our values programme
- Launched 'Doing Business at UBM', The Code of Business Conduct
  - Launched a suite of e-learning modules, the first being anti-bribery
- Established Disclosure Committee
- Completed Board evaluation and introduced measures to enhance effectiveness

Financial

- Approved 2013 financial results and 2014 half year results
- Agreed to maintain our progressive dividend policy targeting 2x earnings cover through the economic and biennial cycle
- Approved dividend payments for full year 2013 and half year 2014
- Approved 2015 budget

Further reading
Governance Report: pg 44

Source: UBM, *Annual Report and Accounts 2014*, p. 9, available on http://investors.ubm.com/company_reports

Key themes discussed with shareholders in 2014

Home credit

- Rationale for the repositioning of the home credit business.
- Drivers of the improvement in performance in home credit.

Satsuma

- Impact of payday regulation on the online instalment market.
- Progress in building capability of Satsuma and competition.

Moneybarn

- Background on the Moneybarn business and growth potential.
- Reasons for the Moneybarn acquisition being funded by an equity placing.
- Progress with the transition to the new FCA regulatory regime.

Vanquis Bank

- Potential for Vanquis Bank UK to exceed its medium-term growth targets.
- Potential impact of forthcoming FCA credit card review on Vanquis Bank.
- Update on the potential Polish pilot operation and timescales for any growth targets.

Source: PFG, *Annual Report and Financial Statements 2014*, p. 88, available on www.providentfinancial.com/investors/results-reports-and-presentations

> "The board believes that open and regular dialogue with investors provides the foundation for a long and trusted relationship."

—Manjit Wolstenholme, Chairman, Provident Financial Group (PFG)

Another good example comes from The Vitec Group:

Source: The Vitec Group, *Annual Report & Accounts 2014*, 'Board activities during 2014,' p. 42, available on www.vitecgroup.com/investors.aspx

Financial review

TAX DISCLOSURE

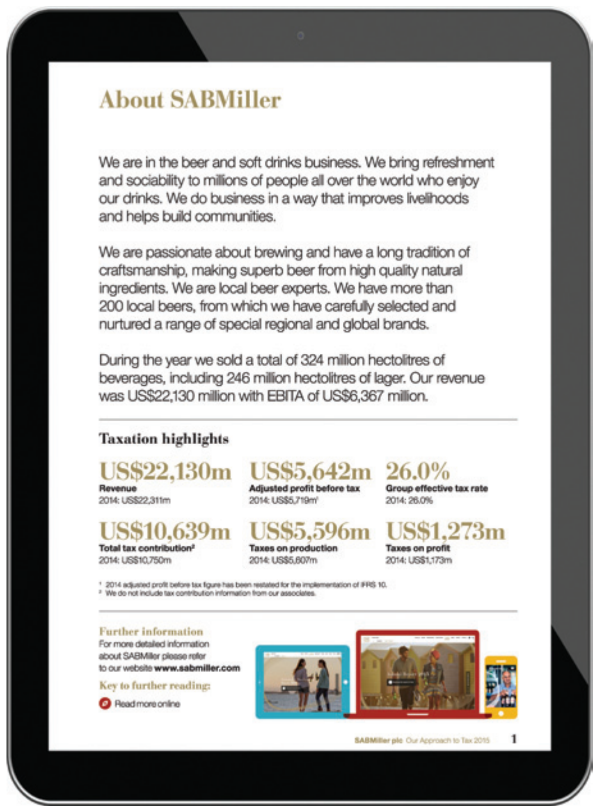
Taxation is a critical and sensitive topic for managers, boards, and investors. We believe that one of the most important disclosures a UK company can make is how it is rated in risk terms by HM Revenue and Customs (HMRC) and why that judgement has been made. Starting in 2016, note that the Financial Reporting Council (FRC) will be reviewing companies' tax reporting to encourage more transparent recording of the relationship between tax charges and accounting profit.

The aim of this monitoring activity is to drive continuous improvements in the quality of corporate reporting. Geoffrey Green, chairman of the FRC's Financial Reporting Review Panel and a member of the Conduct Committee, said:

"There is considerable public interest currently in international tax arrangements, prompted by developments both in the UK and on a global basis. Investors have a heightened interest in wanting to understand the policy decisions made by companies and the impact these have on their current and future accounts. Through the FRC's Clear & Concise initiative, the FRC aims to stimulate boards to review their tax disclosures to ensure their annual reports provide high quality information for investors. Companies which are clear about their tax risks will be looked to as examples of good practice while in other cases, there will be an identification of where improvements may be made."[10]

[10] FRC, 'FRC calls for transparent disclosure of tax risks in corporate reports,' December 1, 2015, available on https://frc.org.uk.

SABMiller has attempted to provide investors additional information around its tax affairs to meet the needs of its stakeholders. This includes the company's own tax governance structure and further transparency around the contribution to economic development from tax revenues:



About SABMiller

We are in the beer and soft drinks business. We bring refreshment and sociability to millions of people all over the world who enjoy our drinks. We do business in a way that improves livelihoods and helps build communities.

We are passionate about brewing and have a long tradition of craftsmanship, making superb beer from high quality natural ingredients. We are local beer experts. We have more than 200 local beers, from which we have carefully selected and nurtured a range of special regional and global brands.

During the year we sold a total of 324 million hectolitres of beverages, including 246 million hectolitres of lager. Our revenue was US$22,130 million with EBITA of US$6,367 million.

Taxation highlights

US$22,130m
Revenue
2014: US$22,311m

US$5,642m
Adjusted profit before tax
2014: US$5,719m[1]

26.0%
Group effective tax rate
2014: 26.0%

US$10,639m
Total tax contribution[2]
2014: US$10,750m

US$5,596m
Taxes on production
2014: US$5,607m

US$1,273m
Taxes on profit
2014: US$1,173m

[1] 2014 adjusted profit before tax figure has been restated for the implementation of IFRS 10.
[2] We do not include tax contribution information from our associates.

Further information
For more detailed information about SABMiller please refer to our website www.sabmiller.com

Key to further reading:
Read more online

SABMiller plc Our Approach to Tax 2015 1

Source: SABMiller, SABMiller, *Our Approach to Tax 2015*, p. 1, available on www.sabmiller.com

About the authors

Will Moynahan

Managing Partner, Heidrick & Struggles London, and Head of CEO & Board Practice

Will Moynahan is the managing partner of Heidrick & Struggles' London office. He leads the CEO & Board Practice in the United Kingdom and is a partner in the Private Equity Practice. He helps clients build and enhance boards and leadership teams for both significant public and private companies, as well as appointing operating and investing partners in Private Equity.

Prior to joining Heidrick & Struggles, Will was co-head of European Private Equity and a consultant within an international executive search boutique. Previously, he worked at a prestigious UK-based executive search firm as an associate, before joining a global executive search firm in London as senior associate in the Consumer, Retail and Entertainment practice.

Will began his career as a research assistant to a UK government minister.

Will graduated from the London School of Economics with a BSc in government.

Sacha Sadan

Director of Corporate Governance, Legal & General Investment Management (LGIM)

Sacha leads LGIM's Corporate Governance team. The team performs a highly active role in engaging with the companies in which LGIM invests, seeking to deliver the best possible long-term value for shareholders. Prior to joining LGIM, Sacha worked for Gartmore, where he was a senior UK equity fund manager and co-managed a range of UK equity hedge, retail, and institutional funds. Sacha was the top-rated pan-European fund manager in the Thomson Reuters Extel Awards in 2010 and ranked third in 2009, as voted by UK companies and key sell-side participants. Prior to Gartmore, Sacha was the lead UK equity fund manager of a £4 billion pension fund for the Universities Superannuation Scheme PLC. Sacha is a member of the Investment Association, Governance and Engagement Committee. He has also helped in the formation of the new UK Investor Forum and is a founding member of its board.

Sacha is a member of the CFA Institute and holds a BA in accounting and finance from the University of Manchester.

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CEO & Board Practice

The Heidrick & Struggles' CEO & Board Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital enables us to provide sound global coverage for our clients.

Leaders of Heidrick & Struggles' CEO & Board Practice

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About Legal & General Investment Management Governance Team

The Corporate Governance and Responsible Investment team within LGIM performs a highly active role in engaging with the companies in which LGIM invests on Environmental, Social and Governance (ESG) issues, seeking to deliver the best possible long-term value for shareholders.

The team is headed by the Director of Corporate Governance, Sacha Sadan, who is responsible for monitoring and developing LGIM's corporate governance policy and activities. Sacha reports directly into LGIM's Chief Executive Officer (CEO), Mark Zinkula. This structure, as well as the ability to engage with two independent non-executive directors on LGIM's board, ensures that conflicts of interest are appropriately managed.

LGIM believes that companies which demonstrate good ESG policies will have a sustainable business model and deliver enhanced shareholder value.

LGIM approaches ESG in an integral way through its engagement and voting policies, in order to exert influence over companies to drive best practice and reduce the risk of corporate failure. The ultimate goal in doing so is to protect, align and maximise shareholders' interests for the benefit of its clients.

HEIDRICK & STRUGGLES

Heidrick & Struggles is the premier provider of senior level executive search, culture shaping, and leadership consulting services. For more than 60 years we have focused on quality service and built strong relationships with clients and individuals worldwide. Today, Heidrick & Struggles' leadership experts operate from principal business centers globally.

www.heidrick.com

WE HELP OUR CLIENTS CHANGE THE WORLD, ONE LEADERSHIP TEAM AT A TIME®

About Legal & General Investment Management

Legal & General Investment Management is one of Europe's largest asset managers and a major global investor, with total assets of GBP 728 / EUR 987 / CHF 1,077 billion*. We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Throughout the past 40 years we have built our business through understanding what matters most to our clients and transforming this insight into valuable, accessible investment products and solutions. We provide investment expertise across the full spectrum of asset classes including fixed income, equities, commercial property and cash. Our capabilities range from index tracking and active strategies to liquidity management and liability based risk management solutions.

www.lgim.com

**as at 30 September 2015, including derivative positions and advisory assets*