Black&Callow

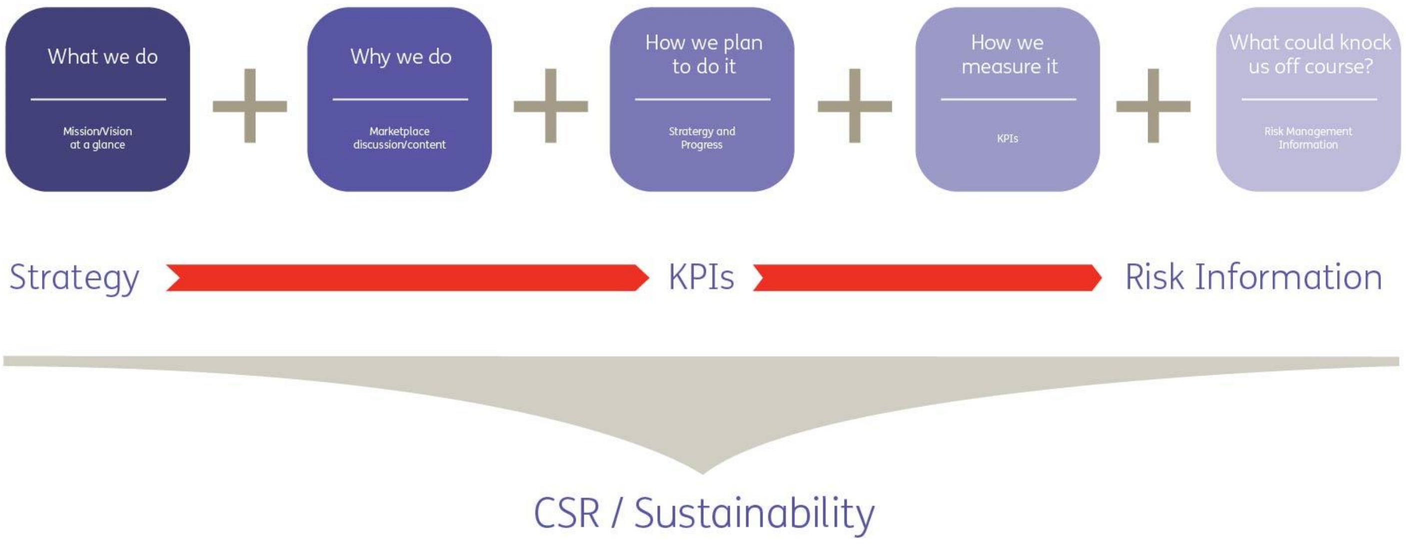
Best Practice Reporting

Examples

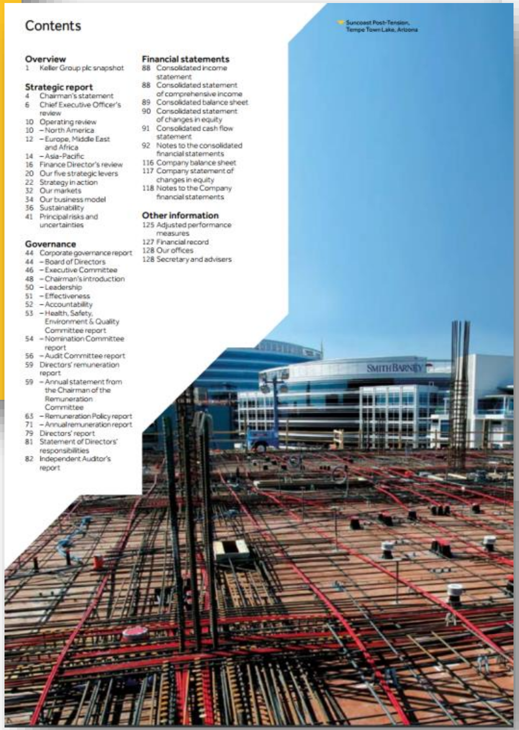
November 2017

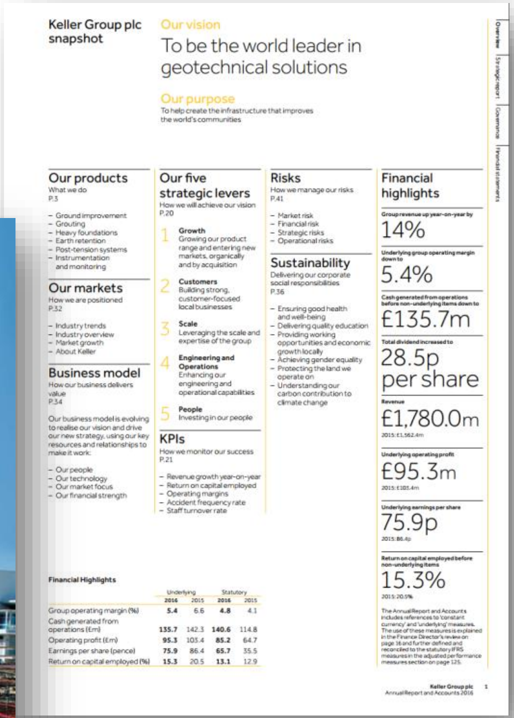
What is Best Practice?

- 1,000 investors & analysts were surveyed by Thomson Reuters Extel
- Survey objective: to uncover what makes them better engage with a company. The results:
- Modern stakeholders need to understand companies more quickly and demand greater clarity & insight
- Financial information is key, but of significant importance are: strategy, management and market information
- Forecasts, projections & value-creating information are crucial in conveying the true dynamics of a company



"Who we are…"


Contents


Keller Group plc snapshot

Our vision

To be the world leader in geotechnical solutions

Our purpose

To help create the infrastructure that improves the world's communities

Our products
What we do
P.3
- Ground improvement
- Grouting
- Heavy foundations
- Earth retention
- Post-tension systems
- Instrumentation and monitoring

Our markets
How we are positioned
P.32
- Industry trends
- Industry overview
- Market growth
- About Keller

Business model
How our business delivers value
P.34

Our business model is evolving to realise our vision and drive our new strategy, using our key resources and relationships to make it work:
- Our people
- Our technology
- Our market focus
- Our financial strength

Our five strategic levers
How we will achieve our vision
P.20

1 **Growth** Growing our product range and entering new markets, organically and by acquisition
2 **Customers** Building strong, customer-focused local businesses
3 **Scale** Leveraging the scale and expertise of the group
4 **Engineering and Operations** Enhancing our engineering and operational capabilities
5 **People** Investing in our people

KPIs
How we monitor our success
P.21
- Revenue growth year-on-year
- Return on capital employed
- Operating margins
- Accident frequency rate
- Staff turnover rate

Risks
How we manage our risks
P.41
- Market risk
- Financial risk
- Strategic risks
- Operational risks

Sustainability
Delivering our corporate social responsibilities
P.36
- Ensuring good health and well-being
- Delivering quality education
- Providing working opportunities and economic growth locally
- Achieving gender equality
- Protecting the land we operate on
- Understanding our carbon contribution to climate change

Financial highlights

Group revenue up year-on-year by
14%

Underlying group operating margin down to
5.4%

Cash generated from operations before non-underlying items down to
£135.7m

Total dividend increased to
28.5p per share

Revenue
£1,780.0m
2015: £1,562.4m

Underlying operating profit
£95.3m
2015: £103.4m

Underlying earnings per share
75.9p
2015: 86.4p

Return on capital employed before non-underlying items
15.3%
2015: 20.5%

The Annual Report and Accounts includes references to 'constant currency' and 'underlying' measures. The use of these measures is explained in the Finance Director's review on page 16 and further defined and reconciled to the statutory IFRS measures in the adjusted performance measures section on page 125.

Financial Highlights

	Underlying		Statutory	
	2016	2015	**2016**	2015
Group operating margin (%)	**5.4**	6.6	**4.8**	4.1
Cash generated from operations (£m)	**135.7**	142.3	**140.6**	114.8
Operating profit (£m)	**95.3**	103.4	**85.2**	64.7
Earnings per share (pence)	**75.9**	86.4	**65.7**	35.5
Return on capital employed (%)	**15.3**	20.5	**13.1**	12.9

Keller Group plc
Annual Report and Accounts 2016 1

Keller Report
Vision, mission at a glance
Financial highlights
Clear signposting to availability of information in the Report
Links markets > strategy > KPIs > Risk

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Results linked to strategy


04
PJSC AEROFLOT
Annual Report 2016

2016 Results

In 2016, Aeroflot Group achieved high operating and financial results despite the challenging situation in the passenger transportation market. The Group strengthened its market position thanks to its effective strategy, which is well adapted to external requirements and is based on a presence in different market segments, and also to digitalisation and focus on financial discipline.

Staying on a growth track

Connecting cities and continents

42.3% share of the Russian air transportation market	43.4 million passengers carried	326 scheduled routes	51 country flight network
↑10.3% passenger traffic increase	↑14.1% international passenger traffic increase	153 unique destinations in the summer schedule, 144 in the winter schedule	SkyTeam Aeroflot is a member of the global alliance
↑7.6% domestic passenger traffic increase	42.1% share of international passenger traffic	292 aircraft in the fleet	30 aircraft – net increase in the fleet
81.4% passenger load factor	↑3.1 p.p. passenger load factor increase	4.2 years average age of Aeroflot airline fleet	6.5 years average age of Aeroflot Group fleet

05
PJSC AEROFLOT
Annual Report 2016

Delivering the best offers	Ensuring sustainable development	Improving corporate governance	Enhancing financial stability
4 stars in the Skytrax rating – Aeroflot airline	36.6 thousand people employed by the Group companies (as at 31 December 2016)	7+ corporate governance rating assigned by the Russian Institute of Directors	RUB 495.9 billion revenue (+19.4%)
Aeroflot is the Best Airline in Eastern Europe according to Skytrax World Airline Awards	Social Support, Non-state Pension Coverage – responsible approach to employees	3 independent directors on the Board of Directors	RUB 137.6 billion EBITDAR, 27.7% EBITDAR margin
37 long-haul aircraft have Wi-Fi access points	7 thousand free tickets issued as part of the Mercy Miles project	Compliance with the key requirements of the Corporate Governance Code	RUB 38.8 billion net income
72% Aeroflot airline's Net Promoter Score	Support for Russian sports, culture, and cinema	40.4% free float	RUB ↓91 billion decrease of net debt

Aeroflot Report shows 2016 results linked to its strategy in clear tabular form with graphics

Black&Callow

Markets > Strategy > Achievements > Plans > KPIs > Risk

Strategy, KPIs and Risks overview

Our markets[1]	Our strategic priorities[2]	Achievements in 2016/17[3]	Plans for 2017/18[3]	Relevant Group KPIs[4]	Principal risks[5]
Product	**Continue to enhance and drive successful and sustainable retail business models in a multi-channel world**	Market share and like-for-like revenue growth in core markets Sustained high levels of customer satisfaction and price competitiveness Largely completed our 3-in-1 property programme and increased our SWAS presence Strong growth in iD mobile base and multi-play share Launch of new Carphone Warehouse web platform and store format Rollout of click and collect to 500 Carphone stores Launch of same-day delivery Opened newly extended distribution centre in Sweden	Unrelenting approach to price and service Extension of same day delivery and order up to midnight for next day Enhanced and simplified online journeys Expand new Carphone store format roll-out Develop B2B in Nordics	Headline revenue Like-for-like revenue growth Market position Headline EBIT Headline profit before tax Free cash flow Return on capital employed	Dependence on networks Dependence on key suppliers Consumer environment and sustainable business model Greek business IT systems and infrastructure Information security Non-compliance with Financial Conduct Authority ('FCA') regulation Colleague retention and capability Business continuity plans are not effective Health and safety Fraud Impact of Brexit
Services	**Leverage our scale, our knowhow, and our unique infrastructure to drive growth in new product areas including growth in services**	Feilim Mackle hired to lead the team Successful Leeds trial, extended to London Launch of energy saver app Instant repair trial in Nordics	Rebrand and national roll-out of Team Knowhow Development of proposition Develop Nordic on-site repair network and expand at home services	Headline revenue Market position Return on capital employed	Consumer environment and sustainable business model IT systems and infrastructure Information security Colleague retention and capability Business continuity plans are not effective Fraud Impact of Brexit
Connected World Services ('CWS')	**Develop the Connected World Services model and establish it as a material contributor to earnings**	Extension of contract with TalkTalk, renewal with RBS	Develop and convert pipeline	Headline revenue Market position Headline EBIT Return on capital employed	Consumer environment and sustainable business model IT systems and infrastructure Information security Non-compliance with Financial Conduct Authority ('FCA') regulation Colleague retention and capability Business continuity plans are not effective

1 Our markets pages 10 to 11
2 Business model and strategy pages 12 to 14
3 Chairman's and Group Chief Executive's Statements on pages 4 to 7
4 Key Performance Indicators are explained on page 15
5 Principal risks to achieving the Group's objectives on pages 16 to 21

Dixons Carphone plc succinctly links its marketplace discussion through strategy to risk – 'the whole story'

Marketplace discussion linked to strategy

Our markets

Responding to a changing environment

Packaging is integral to the efficient supply chains of our customers. Those customers are responding to changes in the consumer environment, which means that the packaging used needs to be designed to work optimally at every stage of the supply chain, from the point at which the product is packaged, to when it is in the customers' hands.

Market drivers	What's happening	The impact
Retail and e-retail	• High growth in e-commerce. • Traditional retail in a state of flux, with large format stores in decline and discount and convenience stores rising.	• Packaging becomes designed for e-commerce fulfilment at the outset, including being suitable for all elements of the supply chain and ultimately presentation to consumers as the packaging that is delivered to the home. • Packaging has to be adaptable to the needs of different store formats. • Increased importance of product presentation in the retail environment, which requires higher quality packaging.
Brands	• Large brands, while clearly still significant, are being challenged by micro-brands, for example those sold direct to customers on subscription. • Consumers seek a more personalised or customised product.	• Packaging can help to differentiate brands, large and small. • Packaging can offer personalisation. • Packaging can provide links to information about the product, both enhancing the product and providing details about its provenance.
Social pressure for zero packaging	• Packaging is still widely perceived as a problem, including excess packaging, voids in e-commerce, and unrecyclable materials that are badged as recyclable, for example disposable coffee cups.	• Packaging is required that is better designed to minimise void space and deliver value across the whole supply chain. • Recycled and recyclable packaging will be in greater demand, so long as this can be demonstrated and communicated.
Customers	• Customers are focusing on their end consumer and are seeking fewer, longer-term supply partners to drive efficiencies in their supply chains.	• Packaging businesses need to be able to work within complex supply chains to drive value. • Packaging businesses need to be able to serve customers across multiple manufacturing sites and countries.
Demographics	• Consumers are more interested in making their brand choice inside a store, rather than driven by advertising viewed at home online or through traditional media.	• Packaging needs to be more visually appealing and facilitate the primary product being chosen in store. • Point of sale packaging, i.e. temporary displays commonly used for promotional products which provide flexibility for retailers.

See page 22 for our strategic priorities

See page 39 for how we manage our risk

16

Our market environment

- The European corrugated packaging market is fragmented, with the top five corrugated packaging producers estimated to comprise around 40 per cent of the total European market.
- Plastic packaging is a global business with numerous niche products.

The DS Smith response

DS Smith is well positioned, as a leader in corrugated packaging in Europe, to respond to these trends. We are responding in four ways.

1. Focus on multinational capability

We continue to build our coverage of Europe, in order to serve customers who require a multinational solution for their packaging.

2. Focus on e-commerce packaging and point of sale

We are further building our expertise in this area with recruitment and allocation of resource within the business, and the acquisition of a number of businesses in 2016/17.

3. Focus on innovation, research and development

We are continuing our investment in Impact Centres and PackRight Centres with 12 opened in 2016/17 and a further 16 planned for 2017/18. We also have a collaboration with a research institute in Sweden, associated with Stockholm University, to lead the industry in paper science.

4. Implementation of our performance packaging programme

We are continuing our focus on optimal efficient use of fibre in packaging, both within our packaging business and in collaboration with our paper manufacturing operations.

Thought leadership at DS Smith

DS Smith has published a set of scenarios, which are the result of work considering the big trends that will forge the future to 2025 and what the consequences might be. They are not predictions, but they are plausible, and are radically different to today's business environment. We undertook this work because we believe we will not only thrive in that future, but also can shape it too. Please see our videos and brochure, available on our website (see link below).

1. Caring convenience

E-commerce creates consumer pressure to rethink packaging and logistics.

2. Everything is an experience

Consumers demand ever-more exciting experiences from brands.

3. Asian new deal

Led by China, the world's governments create a data-driven circular economy.

The results are in three short films and a brochure: www.dssmith.com/packaging/strategists/our-vision/rehearsing-the-future

Facts and figures

European corrugated packaging market by geography
43bms

Germany 23% · Italy 15% · France 13% · Spain 11% · UK 10% · Poland 9% · Turkey 9% · Other 10%

Source: FEFCO 2015

European CCM manufacturing by type
28mt

Testliner 23mt · Kraftliner 5mt

Source: CEPI

European corrugated packaging market by customer type
43bms

FMCG and agriculture 43% · Industrial 40% · Other consumer 17%

Source: FEFCO 2015
bms = billion metres squared
mt = million tonnes
ccm = corrugated case material

Strategic report

Annual report & accounts 2017 | dssmith.com 17

DS Smith with market discussion including market drivers and company strategy

Marketplace > Business Model <IR>

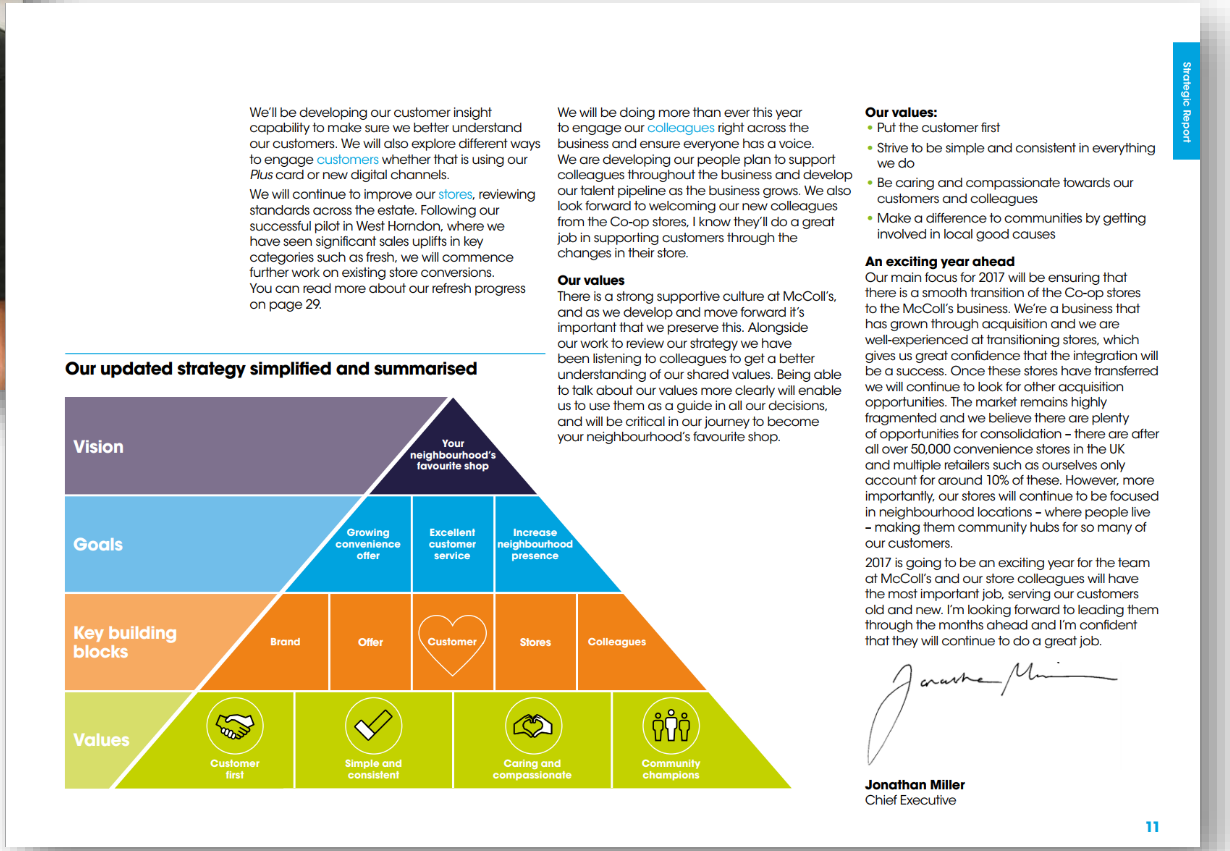
Phosagro with a colourful approach to marketplace discussion and business model

Business Review > Strategy > KPIs

Millennium & Copthorne Hotels
Clearly integrates its business model and strategy with examples of strategy in action, linked to its KPIs

Strategy

McColl's Retail Group with a simple and highly effective hierarchy chart showing its strategy from vision to values



We'll be developing our customer insight capability to make sure we better understand our customers. We will also explore different ways to engage customers whether that is using our *Plus* card or new digital channels.

We will continue to improve our stores, reviewing standards across the estate. Following our successful pilot in West Horndon, where we have seen significant sales uplifts in key categories such as fresh, we will commence further work on existing store conversions. You can read more about our refresh progress on page 29.

We will be doing more than ever this year to engage our colleagues right across the business and ensure everyone has a voice. We are developing our people plan to support colleagues throughout the business and develop our talent pipeline as the business grows. We also look forward to welcoming our new colleagues from the Co-op stores, I know they'll do a great job in supporting customers through the changes in their store.

Our values

There is a strong supportive culture at McColl's, and as we develop and move forward it's important that we preserve this. Alongside our work to review our strategy we have been listening to colleagues to get a better understanding of our shared values. Being able to talk about our values more clearly will enable us to use them as a guide in all our decisions, and will be critical in our journey to become your neighbourhood's favourite shop.

Our values:

- Put the customer first
- Strive to be simple and consistent in everything we do
- Be caring and compassionate towards our customers and colleagues
- Make a difference to communities by getting involved in local good causes

An exciting year ahead

Our main focus for 2017 will be ensuring that there is a smooth transition of the Co-op stores to the McColl's business. We're a business that has grown through acquisition and we are well-experienced at transitioning stores, which gives us great confidence that the integration will be a success. Once these stores have transferred we will continue to look for other acquisition opportunities. The market remains highly fragmented and we believe there are plenty of opportunities for consolidation – there are after all over 50,000 convenience stores in the UK and multiple retailers such as ourselves only account for around 10% of these. However, more importantly, our stores will continue to be focused in neighbourhood locations – where people live – making them community hubs for so many of our customers.

2017 is going to be an exciting year for the team at McColl's and our store colleagues will have the most important job, serving our customers old and new. I'm looking forward to leading them through the months ahead and I'm confident that they will continue to do a great job.

Jonathan Miller
Chief Executive

Our updated strategy simplified and summarised

Strategic Report

11

Sustainability linked to strategy

20 Pearson plc Annual report and accounts 2016

Our strategy in action

SUSTAINABILITY PLAN 2020

Sustainability

Sustainability is *critical to achieving our mission* to help people make progress in their lives through learning. It is also *critical to our long-term competitiveness*. Being ethical and embracing sustainability is fundamental to our commercial success. In turn, a stronger and more sustainable Pearson will allow us to help people progress.

Strategy in action: Reach more learners

Every Child Learning

Every Child Learning is a partnership between Pearson and Save the Children to research and develop solutions for delivering education in emergencies. Starting with Syrian refugees and vulnerable children in Jordan, the ambition is to adapt, scale and use these solutions to deliver effective education in other emergency situations. We are also working to raise awareness of the urgency around improving education for children affected by conflict.

£500,000 donated to fund two educational centres in Amman, Jordan

£1 million invested by Pearson in research and product development

- Ethnography and local research phase completed
- £2m: Pearson helped raise for Save the Children's work through *The Sunday Times* Christmas Appeals in 2015 and 2016

Image: *Children play at the Save the Children "Rainbow Kindergarten". Photography: Hannah Maule-Ffinch/Save the Children.*

Section 2 Our strategy in action 21

Sustainability plan

Building a sustainable business is critical to achieving our mission and ensuring our long-term competitiveness. Our customers, employees, partners and learners expect us to uphold the highest business standards, to continuously enhance the quality of our products, and to contribute to their communities.

To help achieve this, we have three sustainability pillars:

1 Be a trusted partner

Strategic intent
- Operate responsibly, ethically and transparently
- Treat learners, customers and partners with integrity and honesty
- Respect and progress our employees
- Contribute to our communities
- Consult our stakeholders
- Progressively improve environmental stewardship

2 Reach more learners

Strategic intent
- Innovate to improve access to quality education
- Enhance affordability and accessibility of our offerings
- Collaborate to improve access to quality education

3 Shape the future of education

Strategic intent
- Measurably improve learning outcomes
- Foster 21st Century skills and competencies
- Contribute to research and knowledge
- Engage with others to promote quality education

Our plan aligns with the United Nations Sustainable Development Goals (SDGs) creating better outcomes for customers and society, and stronger financial returns for shareholders.

4 – Quality education

8 – Decent work and economic growth

10 – Reduced inequalities

Sustainability plan

Last year we adopted our new sustainability plan – our five-year vision to create value for our customers, shareholders and society. The sustainability plan is built around three pillars, shown above, and is aligned to the United Nations SDGs.

We are working to integrate the sustainability plan into our commercial strategy. This provides a foundation for continuing to build sustainability into Pearson's business functions.

We will again disclose a detailed review of our 2016 performance when we publish our sustainability report later this year.

In the rest of this section, we will report on our material issues, how those issues relate to our Group risk management process at Pearson, sustainability governance, aspects of the three pillars and our performance in sustainability rankings.

Our material issues

Based on an analysis of the areas of most concern to our external stakeholders and a review of our company policies, activities and priorities, we identified 19 issues that are most relevant to the sustainability of the business. Through further consultation with senior leaders at Pearson, we narrowed these down to nine issues we believe are most material at this time. We consulted with external experts to confirm our prioritisation.

These issues, which represent a mix of both opportunities for growth as well as risks to revenue, are shown on the matrix on p22, plotting stakeholder concern and business impact. We have mapped all 19 issues that are the focus of our sustainability plan against the risks being monitored through our enterprise risk management process. You can read more about our risk management process and details of principal risks on p44-55.

As some material issues are business opportunities, not all 19 are included in the alignment mapping.

Our approach to these issues will also be described in more detail when we publish our Sustainability Report.

Sustainability governance

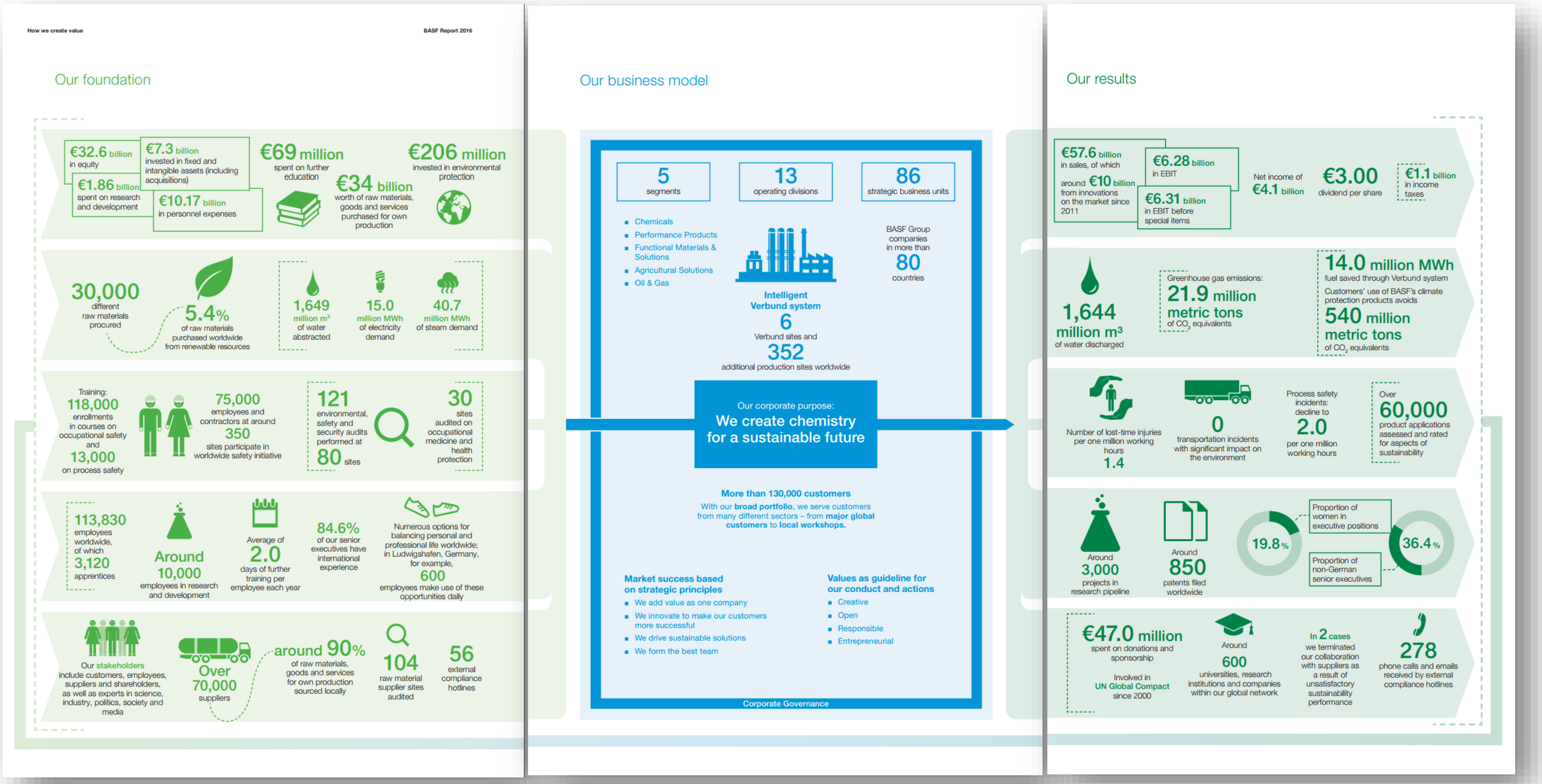
The reputation & responsibility committee, a formal committee of the board, provides ongoing oversight, scrutiny and challenge on matters relating to our sustainability strategy and our corporate reputation. Learn more on p78.

The Pearson executive drives implementation of business strategy, including responding to our sustainability issues. The responsible business leadership council oversees the development of the strategy on behalf of the board. It is chaired by our chief corporate affairs and global marketing officer and comprises senior leaders from across the business.

Overview | Our strategy in action | Our performance | Governance | Financial statements

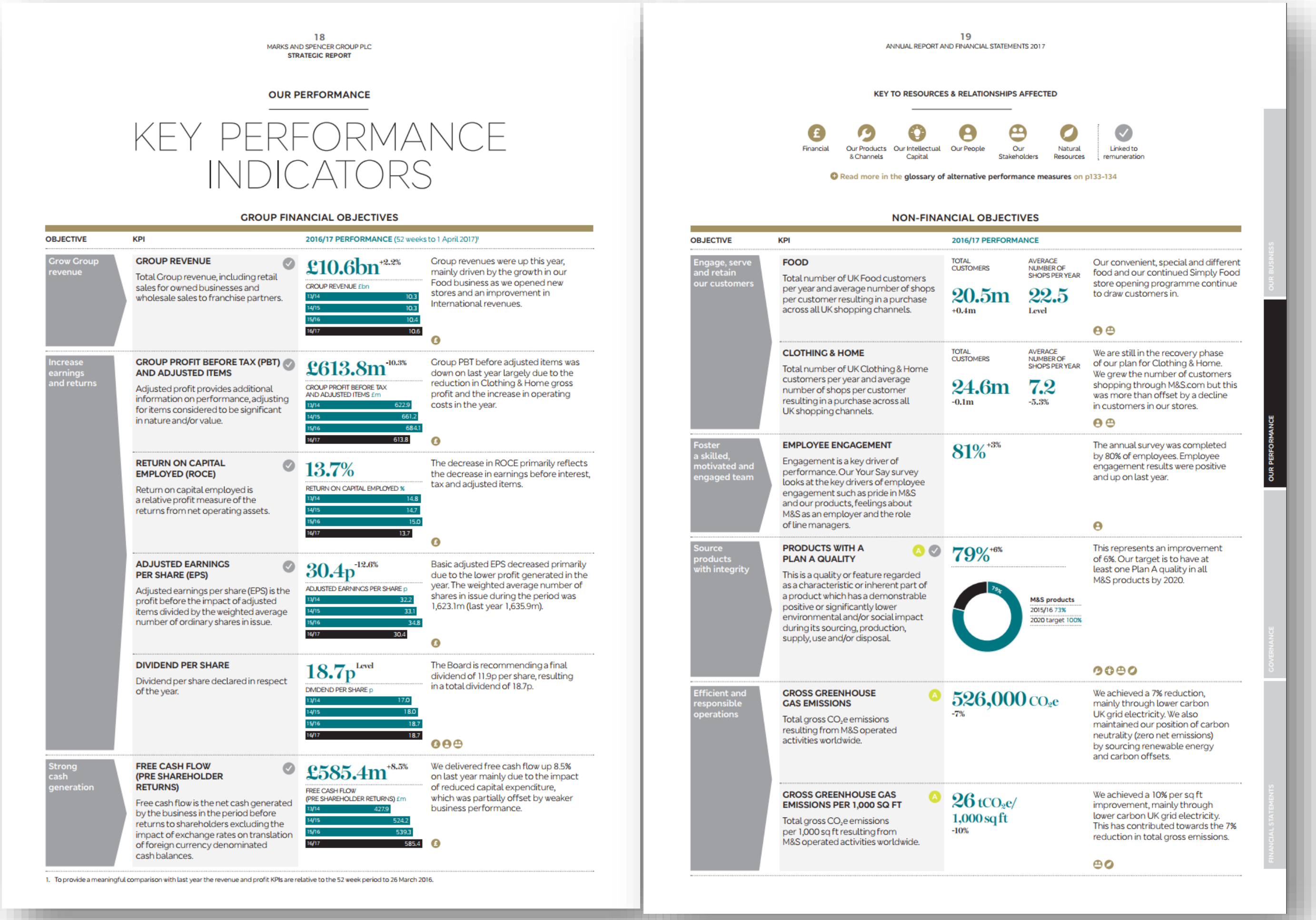
Pearson's Report shows its understanding of sustainability not just in terms of the environment but in ensuring a sustainable business

<IR> Business Model linked to value creation



BASF with a rounded Business model linking its strategy to its results

KPIs linked to strategy



18
MARKS AND SPENCER GROUP PLC
STRATEGIC REPORT

OUR PERFORMANCE

KEY PERFORMANCE INDICATORS

GROUP FINANCIAL OBJECTIVES

OBJECTIVE	KPI	2016/17 PERFORMANCE (52 weeks to 1 April 2017)[1]	
Grow Group revenue	**GROUP REVENUE** Total Group revenue, including retail sales for owned businesses and wholesale sales to franchise partners.	£10.6bn +2.2% — GROUP REVENUE £bn: 13/14 10.3; 14/15 10.3; 15/16 10.4; 16/17 10.6	Group revenues were up this year, mainly driven by the growth in our Food business as we opened new stores and an improvement in International revenues.
Increase earnings and returns	**GROUP PROFIT BEFORE TAX (PBT) AND ADJUSTED ITEMS** Adjusted profit provides additional information on performance, adjusting for items considered to be significant in nature and/or value.	£613.8m -10.3% — GROUP PROFIT BEFORE TAX AND ADJUSTED ITEMS £m: 13/14 622.9; 14/15 661.2; 15/16 684.1; 16/17 613.8	Group PBT before adjusted items was down on last year largely due to the reduction in Clothing & Home gross profit and the increase in operating costs in the year.
	RETURN ON CAPITAL EMPLOYED (ROCE) Return on capital employed is a relative profit measure of the returns from net operating assets.	13.7% — RETURN ON CAPITAL EMPLOYED %: 13/14 14.8; 14/15 14.7; 15/16 15.0; 16/17 13.7	The decrease in ROCE primarily reflects the decrease in earnings before interest, tax and adjusted items.
	ADJUSTED EARNINGS PER SHARE (EPS) Adjusted earnings per share (EPS) is the profit before the impact of adjusted items divided by the weighted average number of ordinary shares in issue.	30.4p -12.6% — ADJUSTED EARNINGS PER SHARE p: 13/14 32.2; 14/15 33.1; 15/16 34.8; 16/17 30.4	Basic adjusted EPS decreased primarily due to the lower profit generated in the year. The weighted average number of shares in issue during the period was 1,623.1m (last year 1,635.9m).
	DIVIDEND PER SHARE Dividend per share declared in respect of the year.	18.7p Level — DIVIDEND PER SHARE p: 13/14 17.0; 14/15 18.0; 15/16 18.7; 16/17 18.7	The Board is recommending a final dividend of 11.9p per share, resulting in a total dividend of 18.7p.
Strong cash generation	**FREE CASH FLOW (PRE SHAREHOLDER RETURNS)** Free cash flow is the net cash generated by the business in the period before returns to shareholders excluding the impact of exchange rates on translation of foreign currency denominated cash balances.	£585.4m +8.5% — FREE CASH FLOW (PRE SHAREHOLDER RETURNS) £m: 13/14 427.9; 14/15 524.2; 15/16 539.3; 16/17 585.4	We delivered free cash flow up 8.5% on last year mainly due to the impact of reduced capital expenditure, which was partially offset by weaker business performance.

1. To provide a meaningful comparison with last year the revenue and profit KPIs are relative to the 52 week period to 26 March 2016.

19
ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

KEY TO RESOURCES & RELATIONSHIPS AFFECTED

Financial · Our Products & Channels · Our Intellectual Capital · Our People · Our Stakeholders · Natural Resources · Linked to remuneration

Read more in the glossary of alternative performance measures on p133-134

NON-FINANCIAL OBJECTIVES

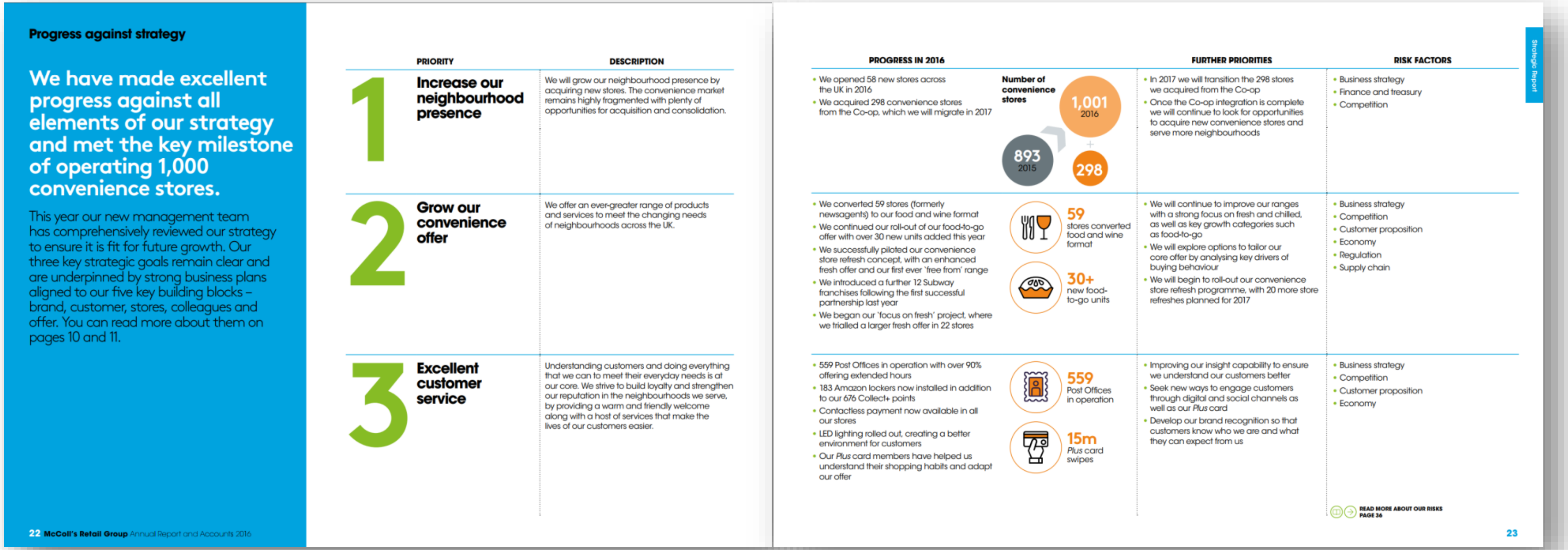
OBJECTIVE	KPI	2016/17 PERFORMANCE	
Engage, serve and retain our customers	**FOOD** Total number of UK Food customers per year and average number of shops per customer resulting in a purchase across all UK shopping channels.	TOTAL CUSTOMERS 20.5m +0.4m; AVERAGE NUMBER OF SHOPS PER YEAR 22.5 Level	Our convenient, special and different food and our continued Simply Food store opening programme continue to draw customers in.
	CLOTHING & HOME Total number of UK Clothing & Home customers per year and average number of shops per customer resulting in a purchase across all UK shopping channels.	TOTAL CUSTOMERS 24.6m -0.1m; AVERAGE NUMBER OF SHOPS PER YEAR 7.2 -5.3%	We are still in the recovery phase of our plan for Clothing & Home. We grew the number of customers shopping through M&S.com but this was more than offset by a decline in customers in our stores.
Foster a skilled, motivated and engaged team	**EMPLOYEE ENGAGEMENT** Engagement is a key driver of performance. Our Your Say survey looks at the key drivers of employee engagement such as pride in M&S and our products, feelings about M&S as an employer and the role of line managers.	81% +3%	The annual survey was completed by 80% of employees. Employee engagement results were positive and up on last year.
Source products with integrity	**PRODUCTS WITH A PLAN A QUALITY** This is a quality or feature regarded as a characteristic or inherent part of a product which has a demonstrable positive or significantly lower environmental and/or social impact during its sourcing, production, supply, use and/or disposal.	79% +6% — 79% M&S products: 2015/16 73%; 2020 target 100%	This represents an improvement of 6%. Our target is to have at least one Plan A quality in all M&S products by 2020.
Efficient and responsible operations	**GROSS GREENHOUSE GAS EMISSIONS** Total gross CO_2e emissions resulting from M&S operated activities worldwide.	526,000 CO_2e -7%	We achieved a 7% reduction, mainly through lower carbon UK grid electricity. We also maintained our position of carbon neutrality (zero net emissions) by sourcing renewable energy and carbon offsets.
	GROSS GREENHOUSE GAS EMISSIONS PER 1,000 SQ FT Total gross CO_2e emissions per 1,000 sq ft resulting from M&S operated activities worldwide.	26 tCO_2e/1,000 sq ft -10%	We achieved a 10% per sq ft improvement, mainly through lower carbon UK grid electricity. This has contributed towards the 7% reduction in total gross emissions.

OUR BUSINESS · OUR PERFORMANCE · GOVERNANCE · FINANCIAL STATEMENTS

M&S linking its KPIs to its strategy – its KPIs are not just financial and all have a short explanation

Black&Callow

Progress against strategy



Progress against strategy

We have made excellent progress against all elements of our strategy and met the key milestone of operating 1,000 convenience stores.

This year our new management team has comprehensively reviewed our strategy to ensure it is fit for future growth. Our three key strategic goals remain clear and are underpinned by strong business plans aligned to our five key building blocks – brand, customer, stores, colleagues and offer. You can read more about them on pages 10 and 11.

PRIORITY	DESCRIPTION	PROGRESS IN 2016		FURTHER PRIORITIES	RISK FACTORS
1 Increase our neighbourhood presence	We will grow our neighbourhood presence by acquiring new stores. The convenience market remains highly fragmented with plenty of opportunities for acquisition and consolidation.	• We opened 58 new stores across the UK in 2016 • We acquired 298 convenience stores from the Co-op, which we will migrate in 2017	**Number of convenience stores** 893 2015 298 1,001 2016	• In 2017 we will transition the 298 stores we acquired from the Co-op • Once the Co-op integration is complete we will continue to look for opportunities to acquire new convenience stores and serve more neighbourhoods	• Business strategy • Finance and treasury • Competition
2 Grow our convenience offer	We offer an ever-greater range of products and services to meet the changing needs of neighbourhoods across the UK.	• We converted 59 stores (formerly newsagents) to our food and wine format • We continued our roll-out of our food-to-go offer with over 30 new units added this year • We successfully piloted our convenience store refresh concept, with an enhanced fresh offer and our first ever 'free from' range • We introduced a further 12 Subway franchises following the first successful partnership last year • We began our 'focus on fresh' project, where we trialled a larger fresh offer in 22 stores	**59** stores converted food and wine format **30+** new food-to-go units	• We will continue to improve our ranges with a strong focus on fresh and chilled, as well as key growth categories such as food-to-go • We will explore options to tailor our core offer by analysing key drivers of buying behaviour • We will begin to roll-out our convenience store refresh programme, with 20 more store refreshes planned for 2017	• Business strategy • Competition • Customer proposition • Economy • Regulation • Supply chain
3 Excellent customer service	Understanding customers and doing everything that we can to meet their everyday needs is at our core. We strive to build loyalty and strengthen our reputation in the neighbourhoods we serve, by providing a warm and friendly welcome along with a host of services that make the lives of our customers easier.	• 559 Post Offices in operation with over 90% offering extended hours • 183 Amazon lockers now installed in addition to our 676 Collect+ points • Contactless payment now available in all our stores • LED lighting rolled out, creating a better environment for customers • Our *Plus* card members have helped us understand their shopping habits and adapt our offer	**559** Post Offices in operation **15m** *Plus* card swipes	• Improving our insight capability to ensure we understand our customers better • Seek new ways to engage customers through digital and social channels as well as our *Plus* card • Develop our brand recognition so that customers know who we are and what they can expect from us	• Business strategy • Competition • Customer proposition • Economy

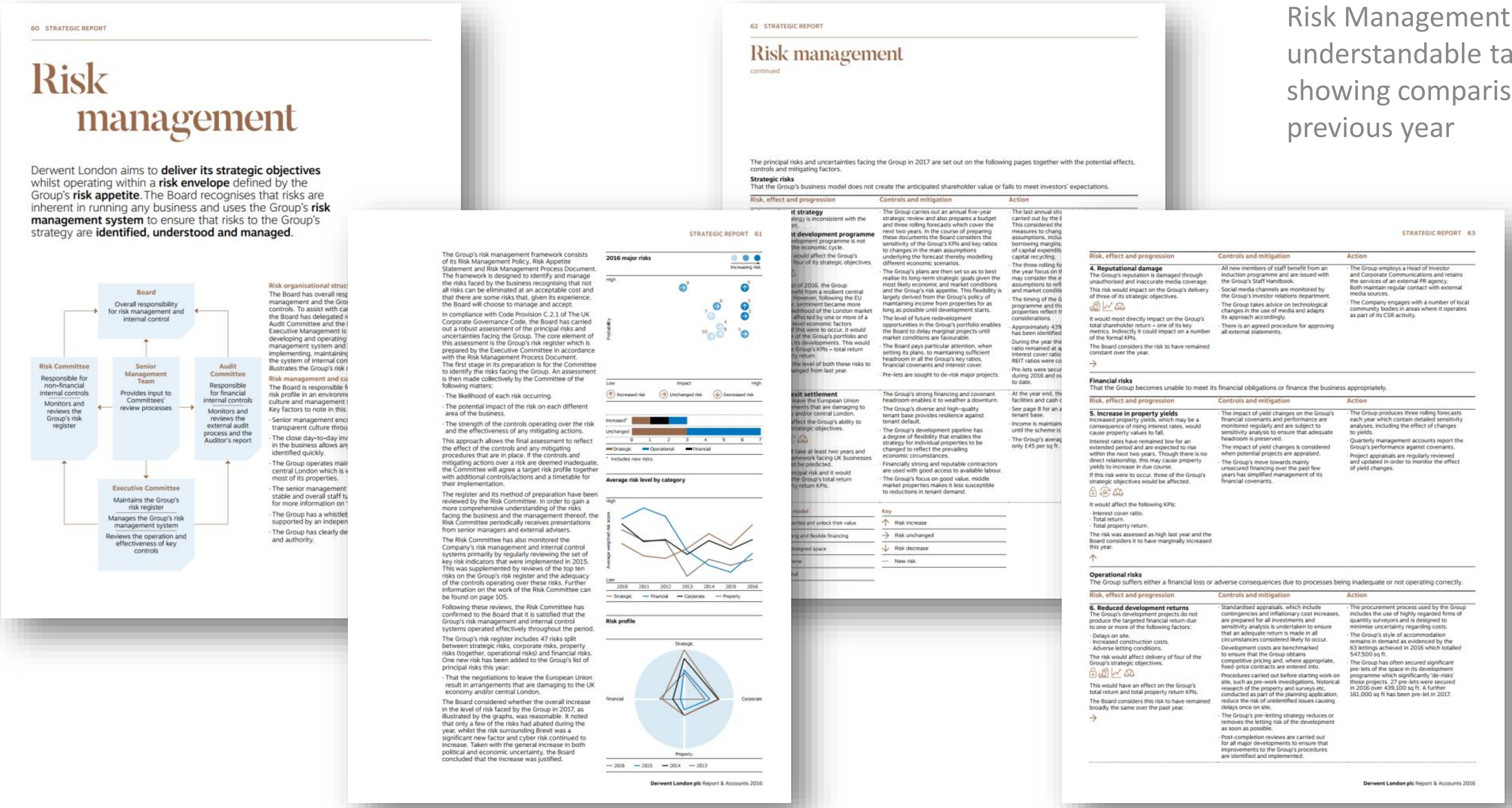
READ MORE ABOUT OUR RISKS PAGE 36

Strategic Report

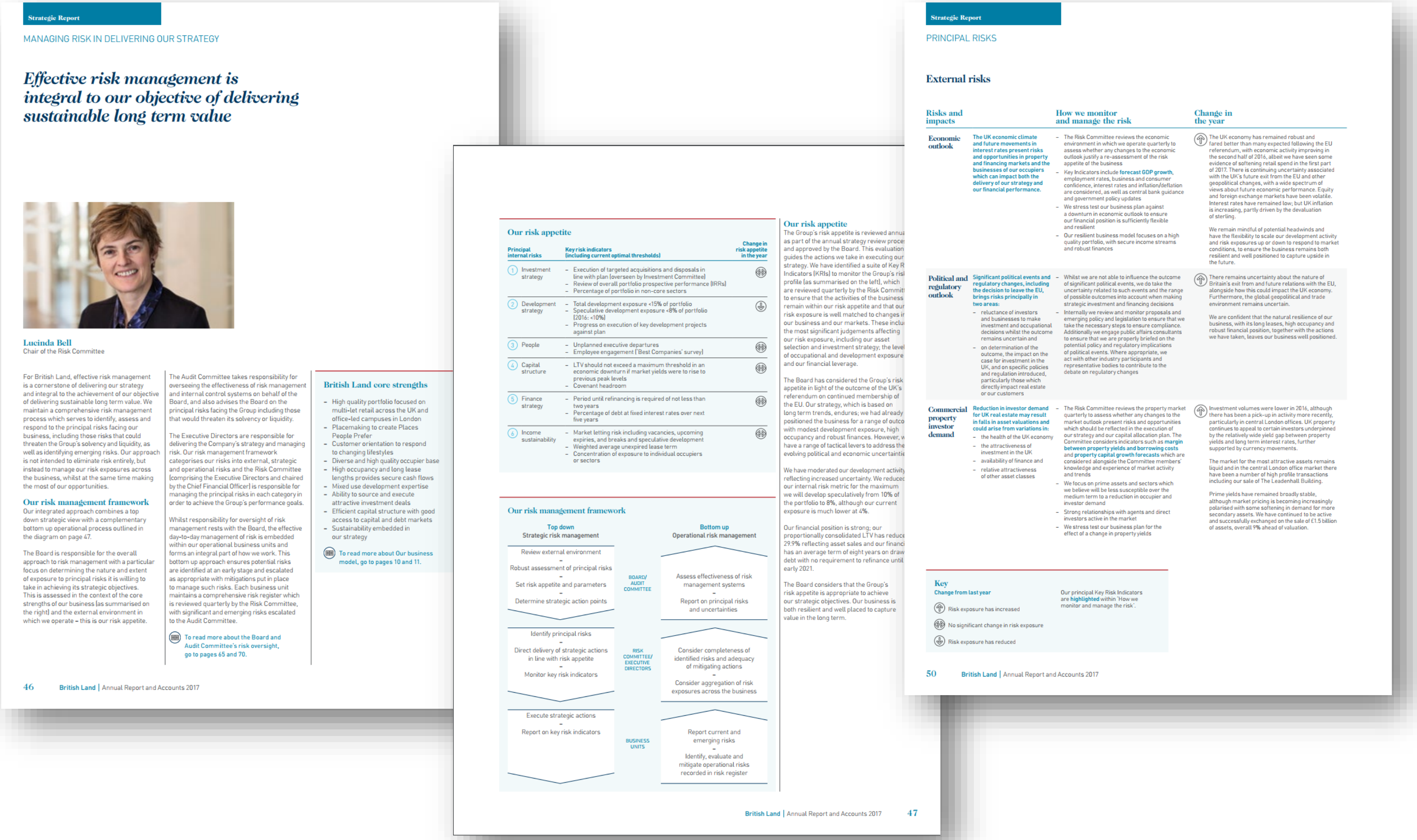
McColl's Retail again linking progress against strategy with performance and risk

Risk Management

Derwent London's approach to Risk Management with clearly understandable tables and arrows showing comparison with previous year



Risk Management linked to sustainability



British Land Report has Risk linked to development of long term value

Table shows risk appetite

Arrows show change in risk during the year

Governance with policy and experience

2 Governance

BOARD DIVERSITY POLICY

The FRC understands and values the benefits that diversity can bring to its Board. A diverse Board includes and make good use of differences in the skills, experience, background, race, gender and other characteristics of Directors. These skills and backgrounds collectively represented on the Board should reflect the diverse nature of the environment in which the FRC and its stakeholders operate and, improve its effectiveness through diversity of approach and thought.

The Board, supported by its Nominations Committee, annually reviews the composition of the Board and considers the balance of competencies to ensure alignment to the FRC's mission and strategic priorities; the environment in which it operates; the characteristics, perspectives, independence and diversity of Board members; how the Board works together; and other factors relevant to its effectiveness.

New appointments are made pursuant to the nomination of an Independent Assessor and based on an objective selection criteria highlighting the specific skills and experience needed to ensure a rounded Board and the diversity benefits each candidate can bring to the overall Board composition.

"Boards that are diverse in background and experience, geography and ethnicity, not only encourage better leadership but also contribute to better all-round, engagement and innovation"

Objectives

The Board will, following recommendations from its Nominations Committee, agree annually measurable objectives for achieving diversity on the Board and its Conduct and Codes & Standards Committees. At the date of adoption of this Policy, the Board's objective is to improve gender diversity over a three-year period by ensuring that at least one third of the Board and the Committees mentioned above will be comprised of women by the end of 2019 and that each of the Board and the Committees mentioned above has at least one person of colour by 2021.

The Board also places high emphasis on ensuring the development of diversity in the senior management roles within the FRC and supports and oversees the FRC's objective of ensuring that approximately half of senior roles continue to be held by female executives. This objective is monitored by the Board and built into its assessment of executive performance.

Whether searches for appointment to the Board, the Committees mentioned above, or to the FRC's senior executive are conducted by the FRC or by external search firms, they will identify and present qualified people of colour to be considered for the relevant vacancy.

Monitoring and Reporting

The Nominations Committee will report annually, in the corporate governance section of the FRC's Annual Report, on the process used in relation to Board appointments. Such report will include a summary of this Policy, the measurable objectives set for implementing the Policy and progress made towards achieving those objectives.

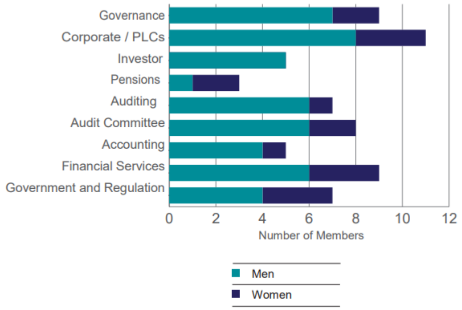
Any nominations for appointment to the Board, the Conduct Committee and the Codes & Standards Committee will include reporting on compliance with this Policy or will explain any departures from the Policy.

The Nominations Committee will review the Policy, including its effectiveness, annually and recommend any revisions to the Board for approval.

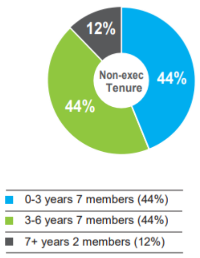
This policy has the full support of the Chairman and the Board.

ANALYSIS OF BOARD MEMBERS' EXPERIENCE AS AT 5 JULY 2017

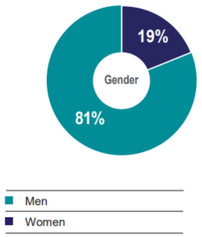
On pages 34 to 37 we provide a summary of the experience that each Board member brings to the FRC Board. This chart provides further analysis of the range of that experience.



Non-executive tenure



Gender



The FRC's Report clearly and graphically shows the Board's diversity and experience

Remuneration Committee Reporting

Remuneration Committee

Drummond Hall
Chairman of the Remuneration Committee

"We are proposing no changes to our policy, with remuneration being designed to create a strong performance-oriented environment."

Remuneration Committee membership:
- Drummond Hall, Chairman
- Donald Brydon
- Neil Berkett
- Jonathan Howell
- Inna Kuznetsova
- Ruth Markland

Dear fellow shareholder,

It is my pleasure to present the Directors' remuneration report for the year ended 30 September 2016.

We aim to be entirely transparent in our remuneration practices and provide shareholders with the information needed to make informed decisions about our company. We are proposing no changes to our policy having received shareholder agreement at our AGM in 2016. Our guiding principle continues to be one of developing a high performance culture through clear linkage of individuals' remuneration to our strategic business KPIs.

Objectives and responsibilities
Our main objective is to determine the framework, broad policy and levels of remuneration for the Group's Chief Executive Officer, the Group's Chief Financial Officer, the Chairman of the Company and other executives as deemed appropriate. This framework includes, but is not limited to, establishing stretching performance-related elements of reward and is intended to promote the long-term success of the Company. We achieve this through:

- Providing recommendations to the Board, within agreed terms of reference, on Sage's framework of executive remuneration
- Determining the contract terms, remuneration and other benefits for each of the executive directors, including performance share awards, performance-related bonus schemes, pension rights and compensation payments
- Monitoring remuneration for senior executives below Board level
- Approving share awards

Committee meetings
No one other than a member of the Committee is entitled to be present at its meetings. The Chief Executive Officer may, as required, attend meetings, except where his own performance or remuneration is discussed. No director is involved in deciding his or her own remuneration.

The Committee is required, in accordance with its terms of reference, to meet at least four times per year. During this financial year, the Committee met five times.

Key remuneration outcomes for FY16
For the year ended 30 September 2016, Group recurring plus processing revenue growth was 9.8%, reflecting good acceleration in growth on the prior year. Combined with the achievement of their strategic objectives, this led to 69% of the maximum bonus paying out for the Chief Executive Officer and 69% for the Chief Financial Officer. More details on the bonus outcome are set out on page 90.

Performance Share Plan (PSP) awards granted in 2014 were based on organic revenue growth, earnings per share growth and relative TSR performance measured over the three-year period to 30 September 2016. Overall, the Committee determined that 64% of the maximum number of shares under award will vest in March 2017. Further detail is set out on page 91.

Remuneration at a glance

This section provides a high level introduction to remuneration at Sage. Further details can be found within the report at the noted page.

Remuneration principles

Attract and Retain	Motivate and Reward	Alignment with the wider Group	Alignment with Shareholders

The key elements of our remuneration policy are summarised below.

Element of Remuneration Policy	Purpose	Application of Element in FY17 for CEO	Application of Element in FY17 for CFO
Base salary	Enables Sage to attract and retain executive directors of the calibre required to deliver the Group's strategy	£810,000 (2.5% increase effective 1 January 2017)	£522,000 (2.5% increase effective 1 January 2017)
Pension	Provides a competitive post-retirement benefit, in a way that manages the overall cost to the Company	25% of base salary	25% of base salary
Benefits	Provide a competitive and cost-effective benefits package to executives to assist them to carry out their duties effectively	Car allowance, medical insurance costs of travel, accommodation and subsistence for the directors and their partners on Sage-related business if required	Car allowance, medical insurance, costs of travel, accommodation and subsistence for the directors and their partners on Sage-related business if required
Annual bonus	Rewards and incentivises the achievement of annual financial and strategic targets. A minimum of one-third deferral into shares is compulsory, with the remainder delivered in cash	Maximum 125% of base salary	Maximum 125% of base salary
Performance Share Plan (PSP)	Supports achievement of our strategy by targeting performance under our key financial performance indicators	Face value of 250% of base salary	Face value of 250% of base salary
All-employee share plans	Provides an opportunity for directors to voluntarily invest in the Company	Eligible to participate up to the tax-efficient limit of £500 per month	Eligible to participate up to the tax-efficient limit of £500 per month
Chairman and non-executive director fees	Provide an appropriate reward to attract and retain high-calibre individuals	No change – see page 96 of this report for a list of non-executive director fees	
Shareholding guidelines	The shareholding requirement for directors is 200% of base salary and achievement of this is expected within a maximum of five years from the time the director became subject to the policy	Shareholding at 30 September 2016 is 191% of base salary	Shareholding at 30 September 2016 is 18% of salary, which is made up of unvested deferred shares net of tax[1]

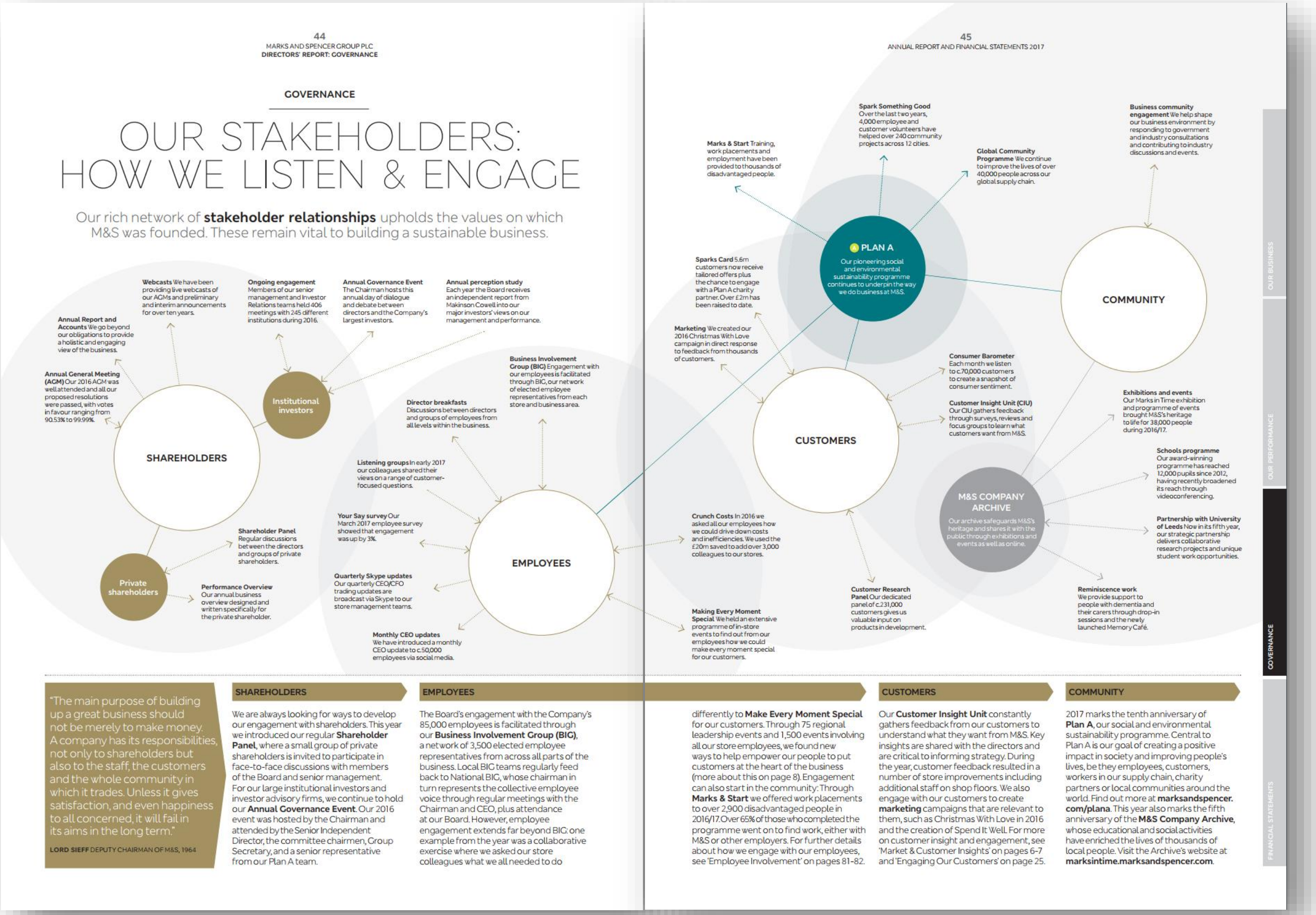
Note:
1. Steve Hare has committed to holding shares relating to his PSP vestings in 2017 – the first of his long-term awards to vest – which are projected to achieve his shareholding requirement after one year of becoming subject to the policy.

Sage Group explains its Board remuneration principles and how they are aligned with best approach for its shareholders

Nomination & Audit Committee Reporting

Pearson's Report explains the Board's roles and focus during the year, linked to risk

Stakeholder engagement



M&S with a clear understanding of all its stakeholders and how it engages with them

Presenting the investment case

Aeroflot's simple but engaging offline & online Reporting with Investment Case

About us

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- Formerly known as Imprima Group; rebranded following MBO in November 2014
- A European market-leader in our sector, financial printing & communications
- Corporate Finance, Corporate Reporting, insolvency & restructuring specialisations
- Offering both printed & online solutions including iRoadshow & IPO Research Online
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“The logistical challenge of communicating the world’s biggest ever capital raising exercise to the UK’s largest private shareholder base was unprecedented. You took on the not inconsiderable task of managing multiple mailings with a complex group of stakeholders to an extraordinarily tight timetable. The capital raising could not have succeeded without your support.”

Head of Operations, Lloyds Banking Group plc

Black&Callow

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LSL Property Services plc

SIRIUS MINERALS PLC

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InterBulk GROUP

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£22.5bn Recapitalisation by HM Government
Largest ever Bank Fundraising
1.45m copies of various documents sent to shareholders
BARCLAYS HSBC

TESCO PLC
£4.2bn sale of Homeplus
180,000 copies sent to shareholders
BARCLAYS HSBC

BG GROUP
US$70bn Offer for BG Group plc by Royal Dutch Shell plc
Bank of America Merrill Lynch, Goldman Sachs

Dixons, Carphone Warehouse
Linklaters, Osborne Clarke, UBS, citi, BARCLAYS, Deutsche Bank
GBP 3.7bn Merger

Recommended All-Share Merger
Standard Life and Aberdeen Asset management
£11bn Merger
J.P.Morgan CAZENOVE, CENKOS, CREDIT SUISSE

International Power, GDF SUEZ
J.P.Morgan CAZENOVE, NOMURA, Morgan Stanley
2011 Merger to Create The World's Largest Utility

HBOS plc, LLOYDS BANK
Acquisition of HBOS by Lloyds
Largest ever Bank Acquisition
£5.5bn
3.2m copies of various documents sent to shareholders

SHERBORNE INVESTORS
Sherborne Investors (Guernsey) C Ltd
Largest UK Main Market IPO by new funds raised to date - August 2017
£700m IPO
Numis, HSBC

xafinityGroup
£190m IPO
Admission to trading on the Main Market of the London Stock Exchange
Second largest UK IPO 2017 to date at March 2017
Zeus Capital, Deloitte.

BioPharma Credit PLC
c$300m IPO
Admission to trading on the Main Market of the London Stock Exchange and the CISEA
Largest UK IPO 2017 to date at March 2017
J.P.Morgan CAZENOVE, Goldman Sachs

Supermarket Income REIT plc
One of the largest UK Main Market IPOs to date by new funds raised at August 2017
£100m IPO
JTC, STIFEL NICOLAUS

JUPITER
Jupiter Emerging & Frontier Income Trust
IPO
£90m
Admission to the premium segment of the Official List
PEEL HUNT

GREENCOAT CAPITAL
Greencoat Renewables plc
€270m IPO
Admission to trading on AIM
Largest AIM IPO by new funds raised to date August 2017
DAVY

VolkerWessels
IPO
Euro 575m
Listing on Euronext Amsterdam
ABN·AMRO Bank, Bank of America Merrill Lynch, ING, Morgan Stanley

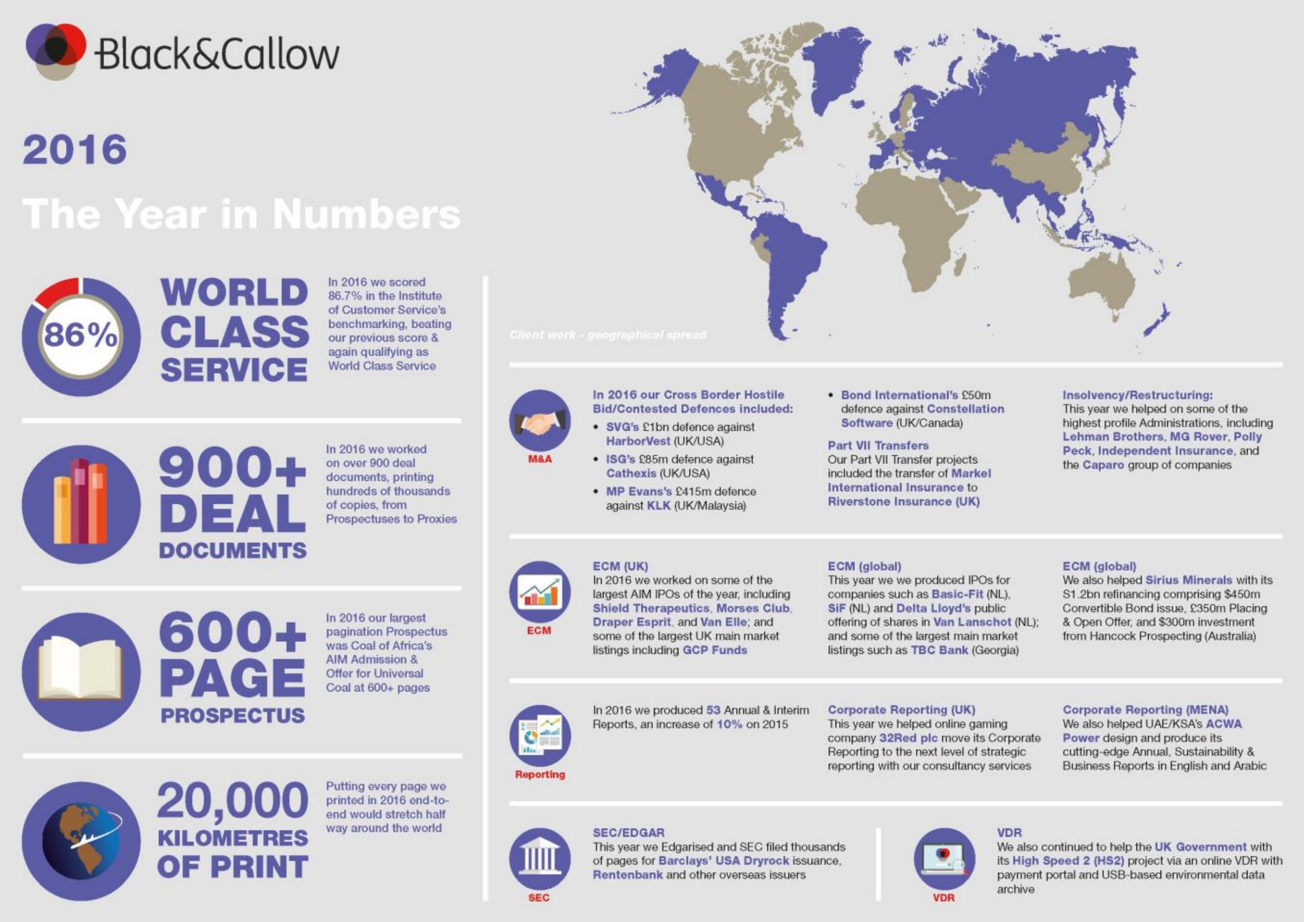
"Our sincere thanks for such a tremendous job – certainly my best experience with a printer to date; your team was excellent, and I know the working group shares our sentiments."

Associate, Clifford Chance LLP

Black&Callow

Global reach

We're honoured to have helped our clients manage transactions worth over $500bn in multiple languages and over 160 countries.



"The role which you played in our IPO was priceless due to your precision, fast performance and cost control. The team was always available and able to fulfill every request quickly and effectively.
We recommend your team for its client-oriented approach."

President , ZE PAK SA