



Audit Committee Institute

Roundtable event

March 2017





MAKINSON COWELL

Audit Committee Institute Institutional Perspectives

Bob Cowell

March 2017

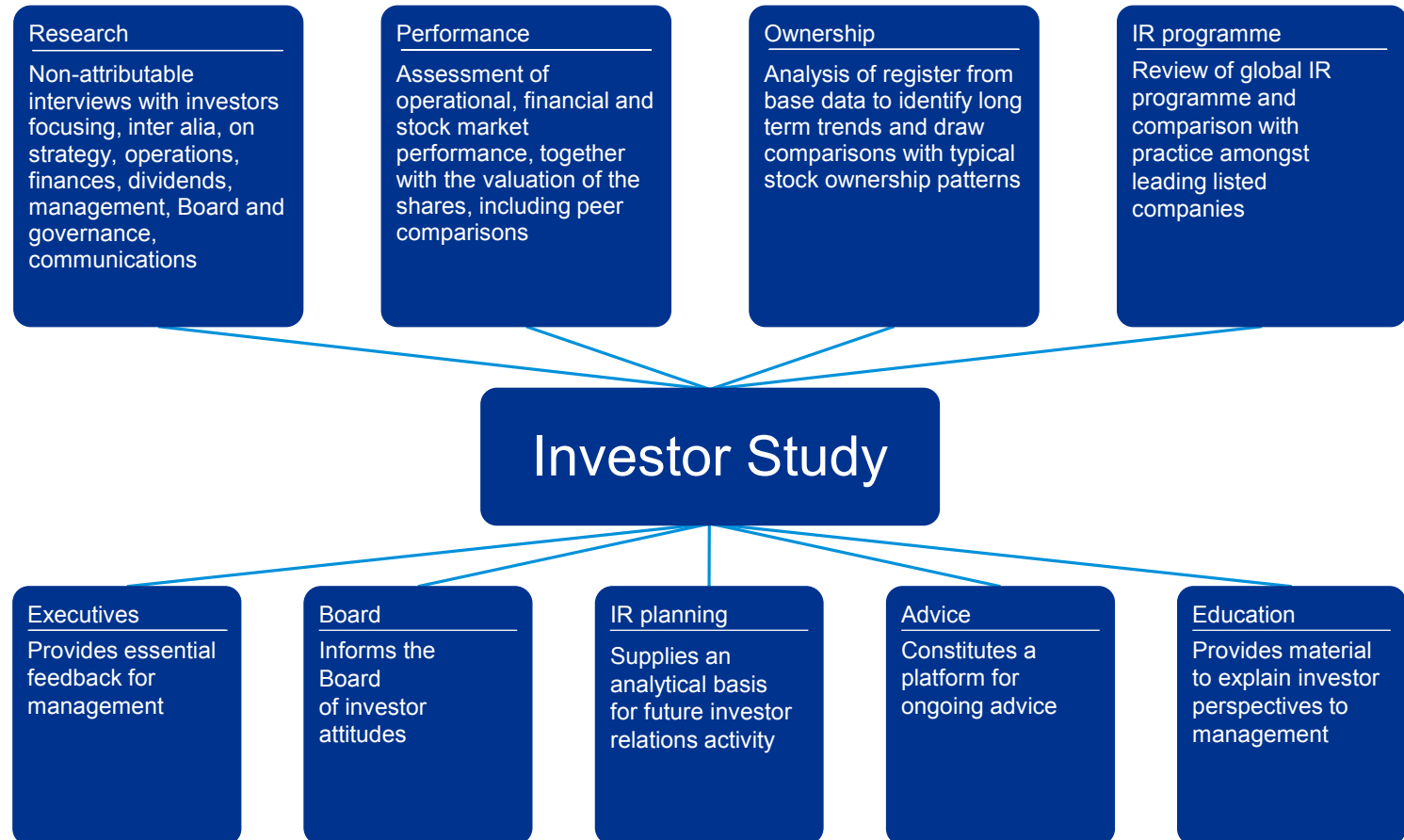
Overview

- Capital markets advisory firm
- Established 1989
- Offices in London and New York
- Long-established and stable team of 50 people
- Independent from sources of capital
- Acquisition by KPMG in June 2013

Business model

- Retained to give ongoing investor relations advice and also for specific projects
- Only companies as clients, not both companies and institutions as is the case with banks and brokers
- Not dependent on trading or transaction revenues
- Never representing or advocating our corporate clients
- Passionate belief in direct, un-intermediated contact between investors and management, unlike banks and brokers

The Investor Study



Major clients during past three years



Agenda

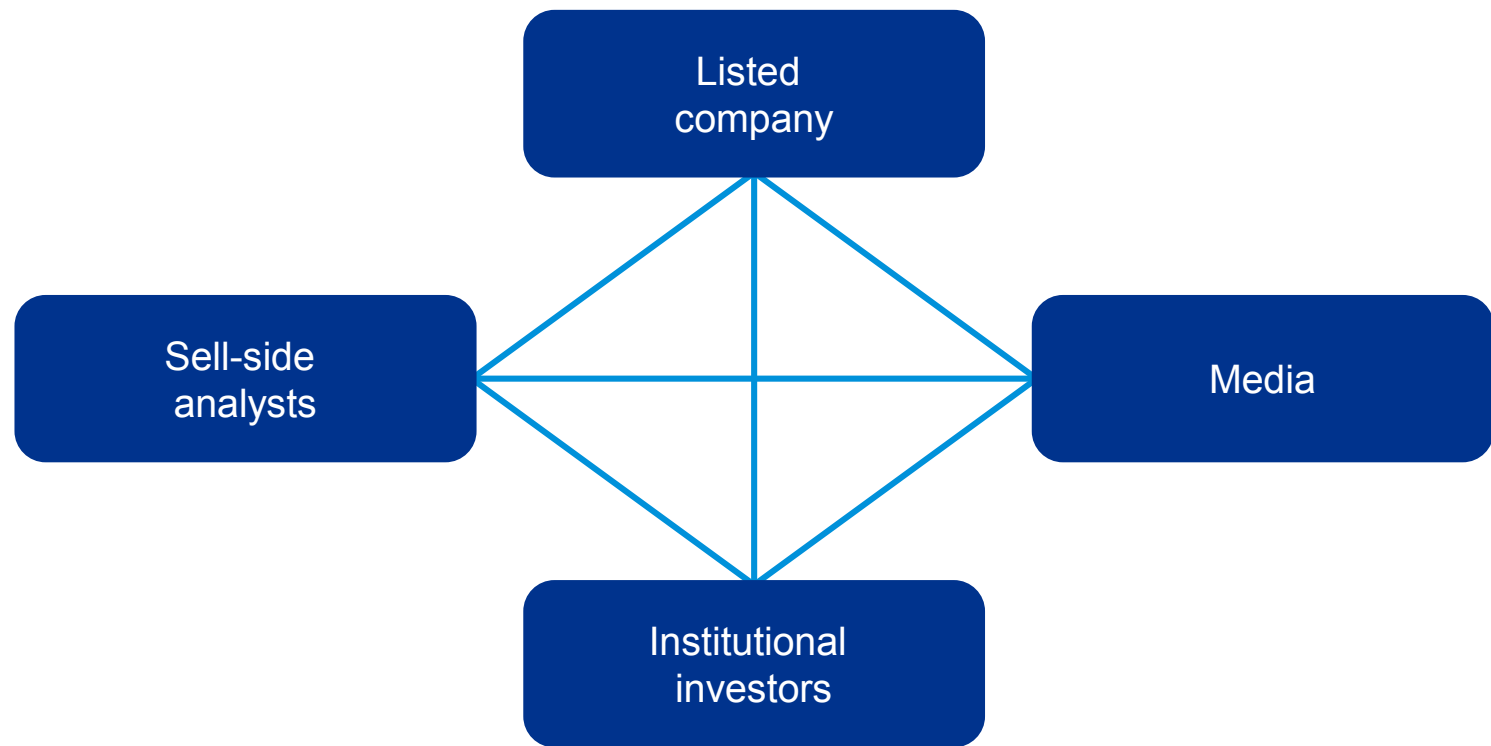
Institutional investors

UK equity market: performance and valuation

UK equity market: ownership

Concluding observations

Communications network



Importance to listed companies

—Voting

- one share, one vote
- institutions control the majority of the issued equity
- increasing number of resolutions to vote on

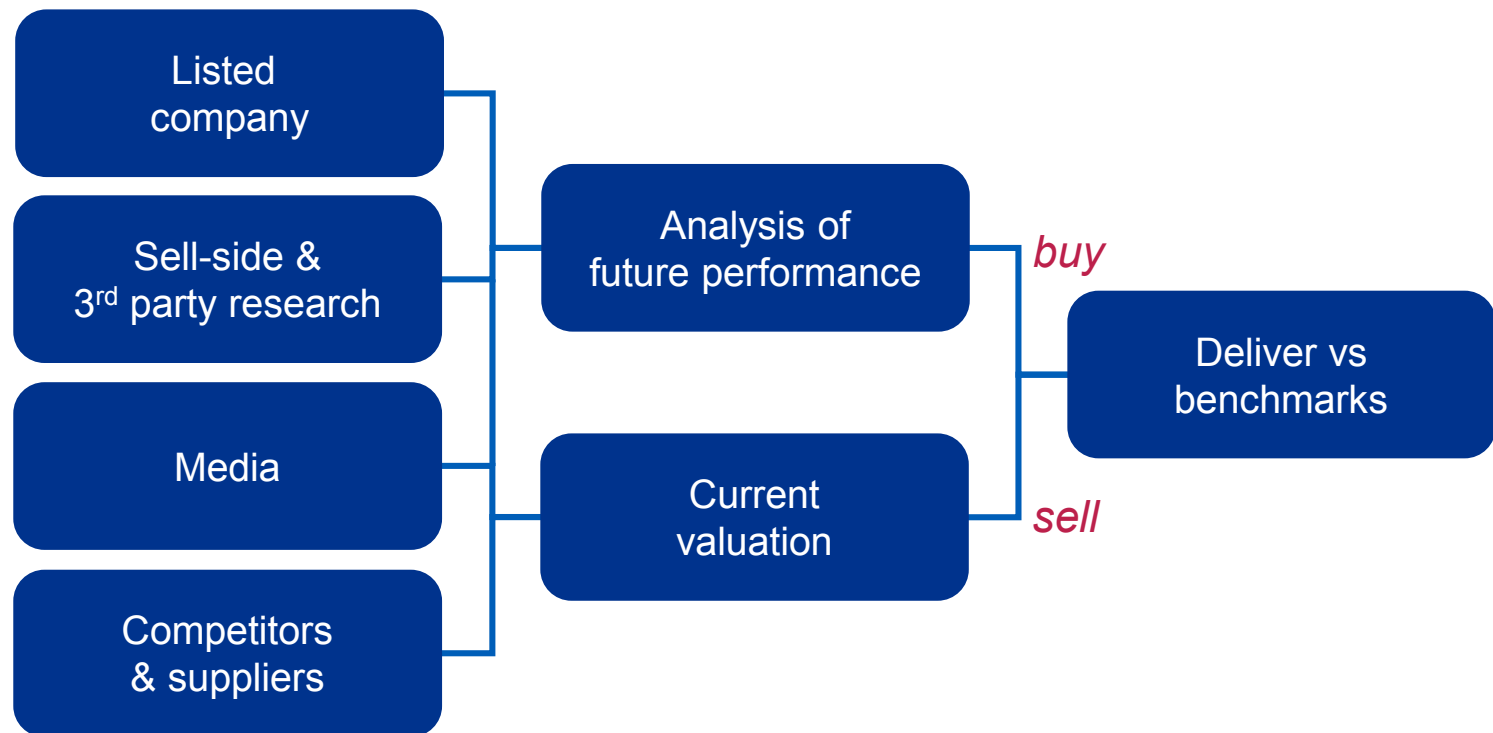
—Capital

- sole source of long-term funds: both equity and debt

—Share price

- performance and perception drive trading activity
- balance of trading activity determines the share price
- the share price drives returns for all shareholders

Investment process



Qualitative performance measures

- Strategic clarity
- Competitive advantage
- Management strength
- Financial discipline
- Risk management
- Governance effectiveness
- Communications commitment

Quantitative performance measures (cont.)

—Growth

- revenue, earnings and dividends

—Cash

- operating and free cash flow

—Returns

- ROIC versus cost of capital

—Financial position

- gearing ratios and borrowing capacity

Agenda

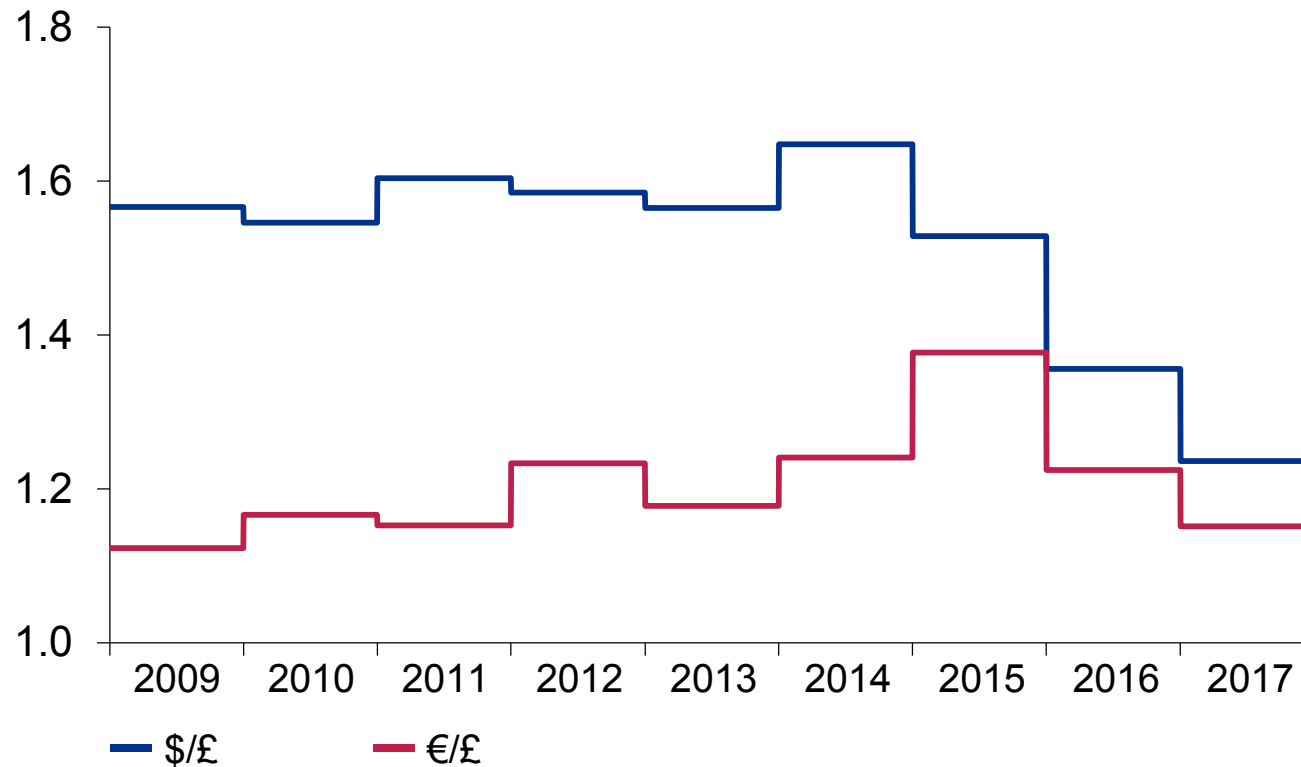
Institutional investors

UK equity market: performance and valuation

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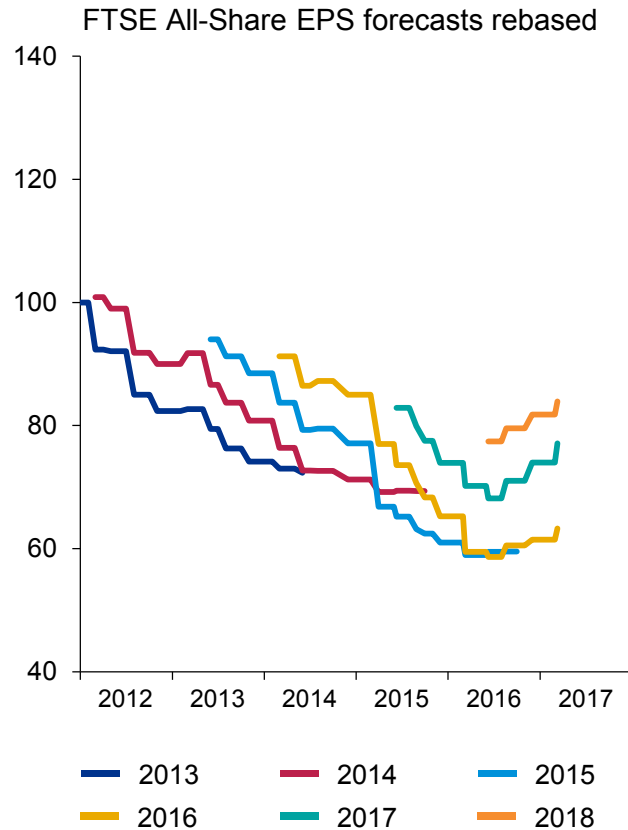
Concluding observations

Exchange rates: Sterling annual averages



Source: Thomson Reuters

UK equity market: EPS & DPS sell-side forecasts

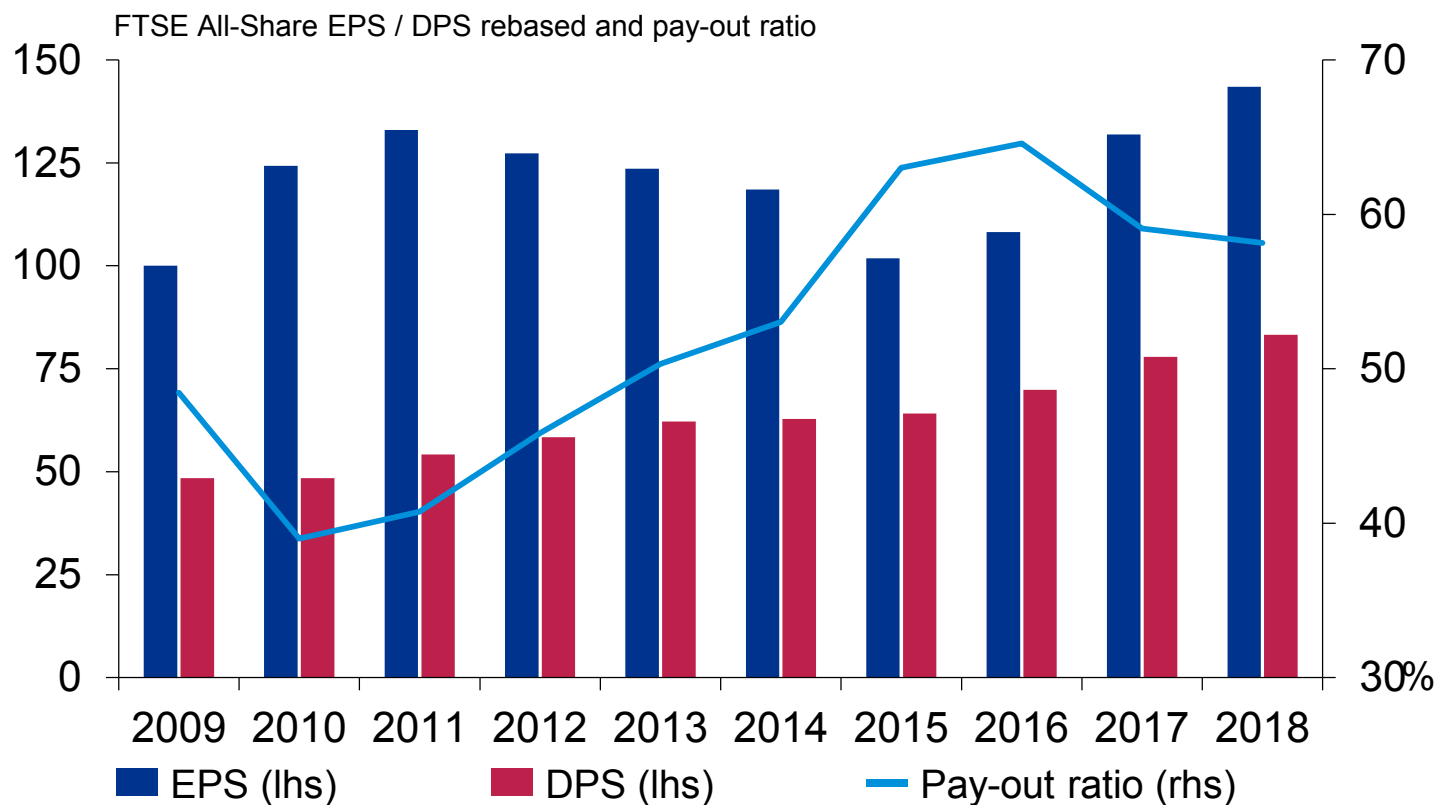


Source: Thomson Reuters, KPMG Makinson Cowell analysis



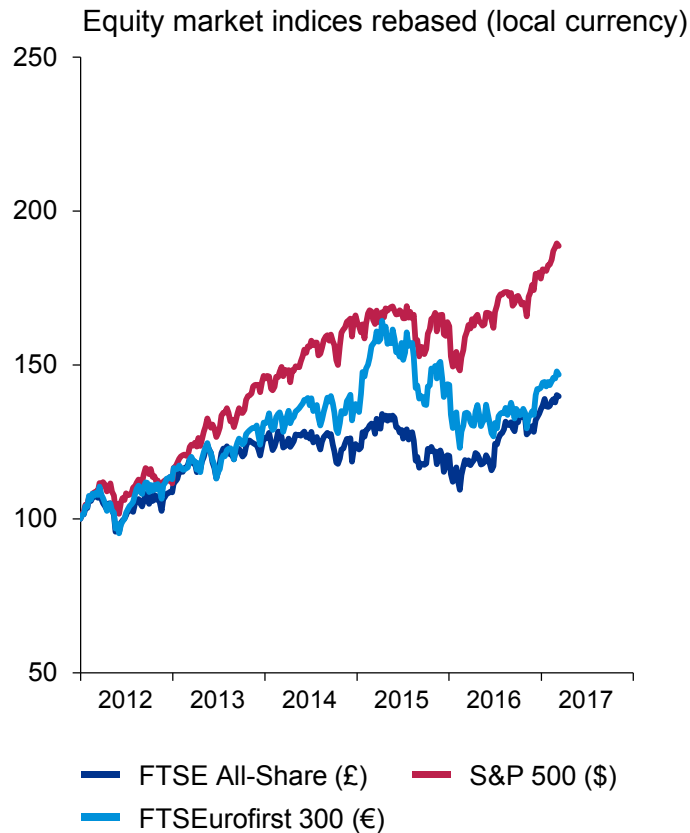
Source: Thomson Reuters, KPMG Makinson Cowell analysis

UK equity market: EPS, DPS & pay-out ratio

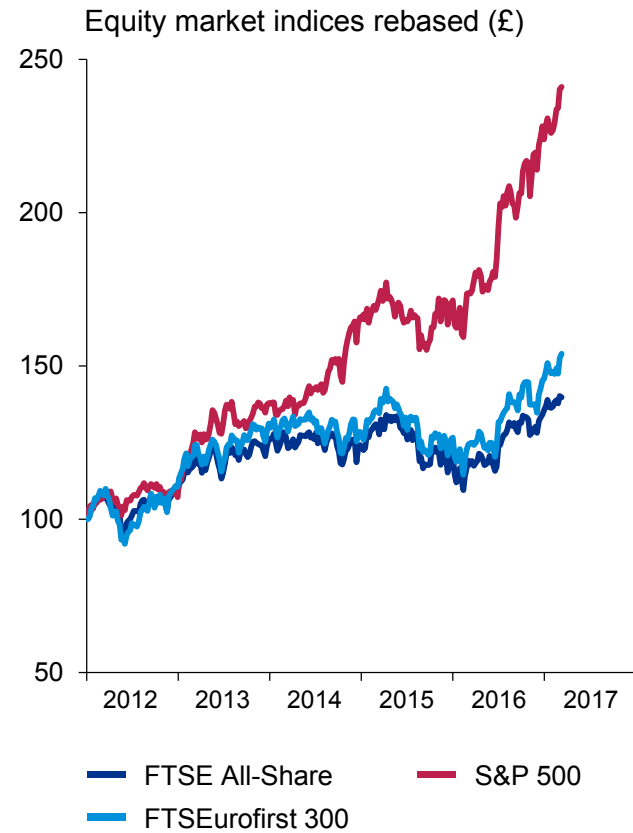


Source: Thomson Reuters, KPMG Makinson Cowell analysis

Equity markets: price performance

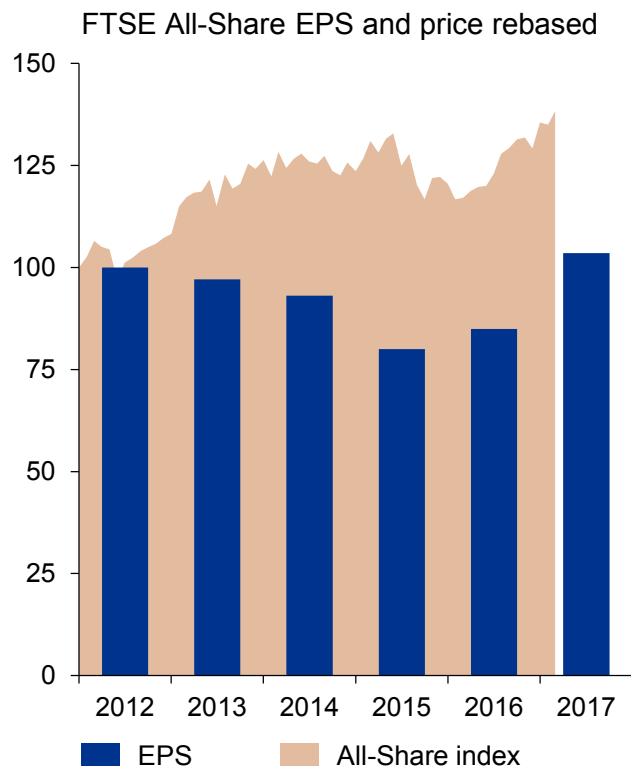


Source: Thomson Reuters

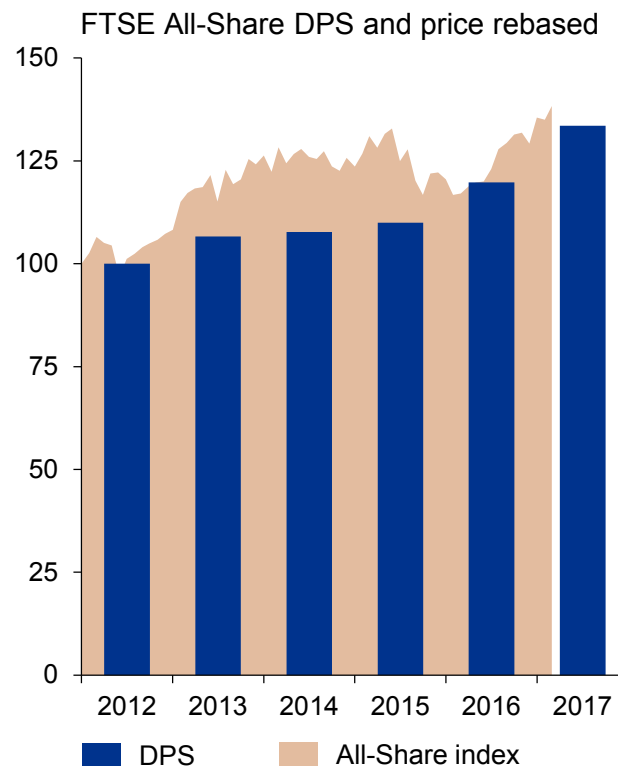


Source: Thomson Reuters

UK equity market: EPS, DPS & price

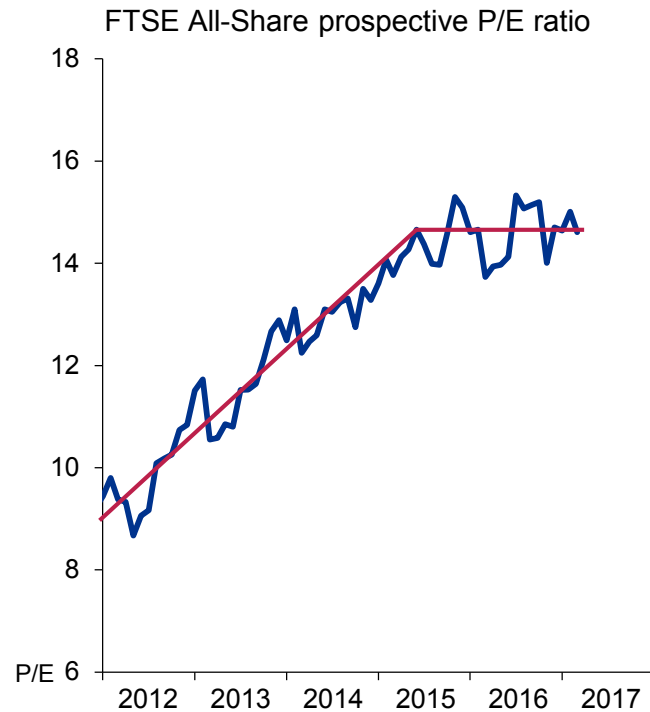


Source: Thomson Reuters, KPMG Makinson Cowell analysis

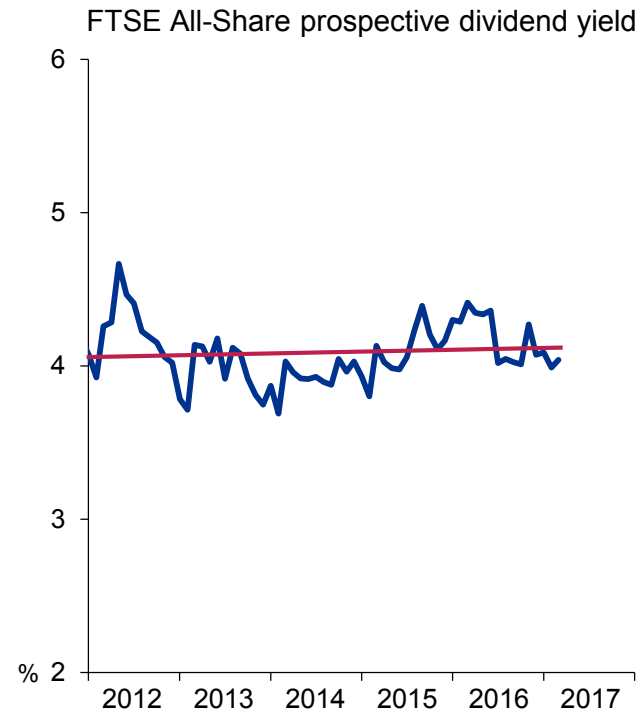


Source: Thomson Reuters, KPMG Makinson Cowell analysis

UK equity market: price/earnings & yield

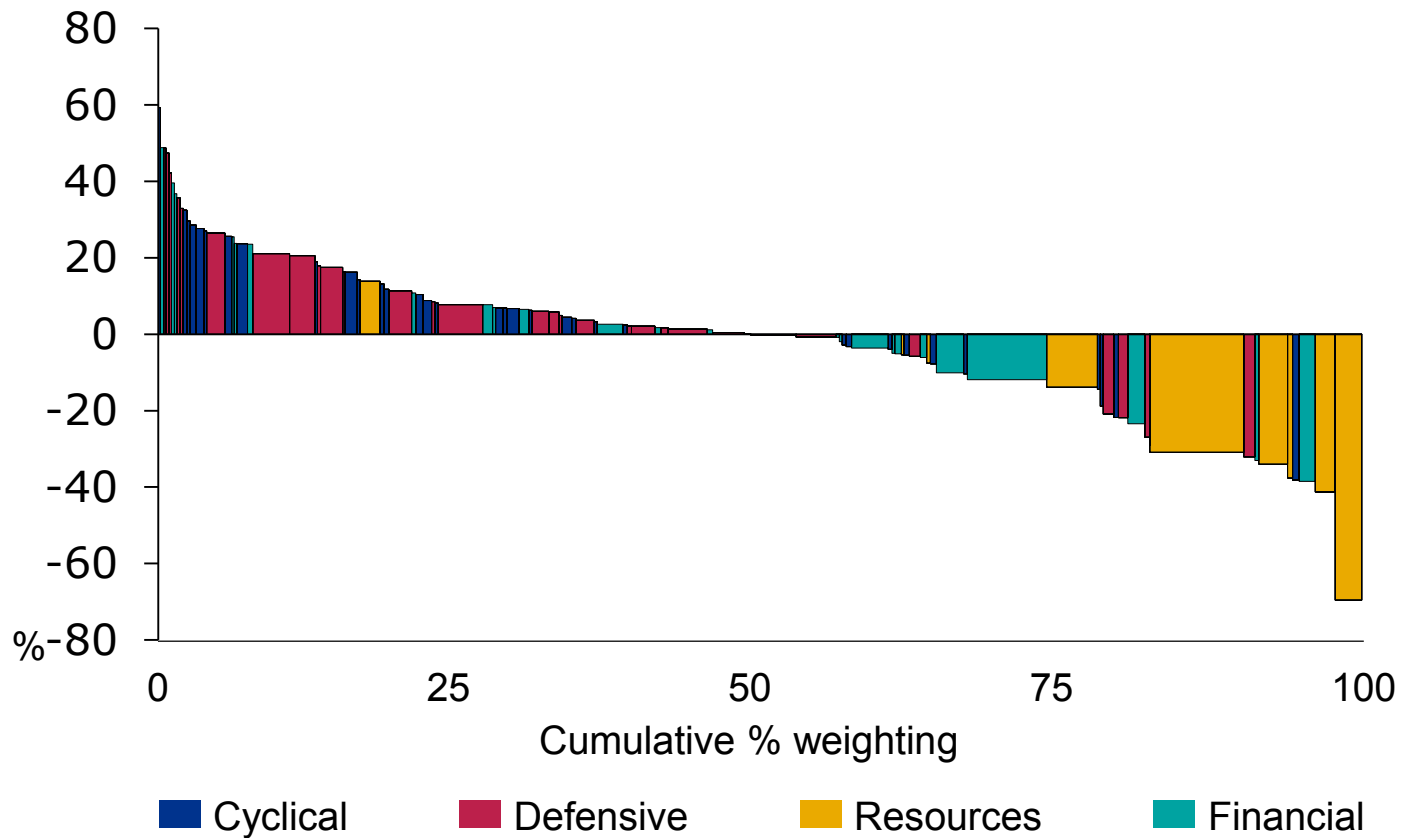


Source: Thomson Reuters, KPMG Makinson Cowell analysis



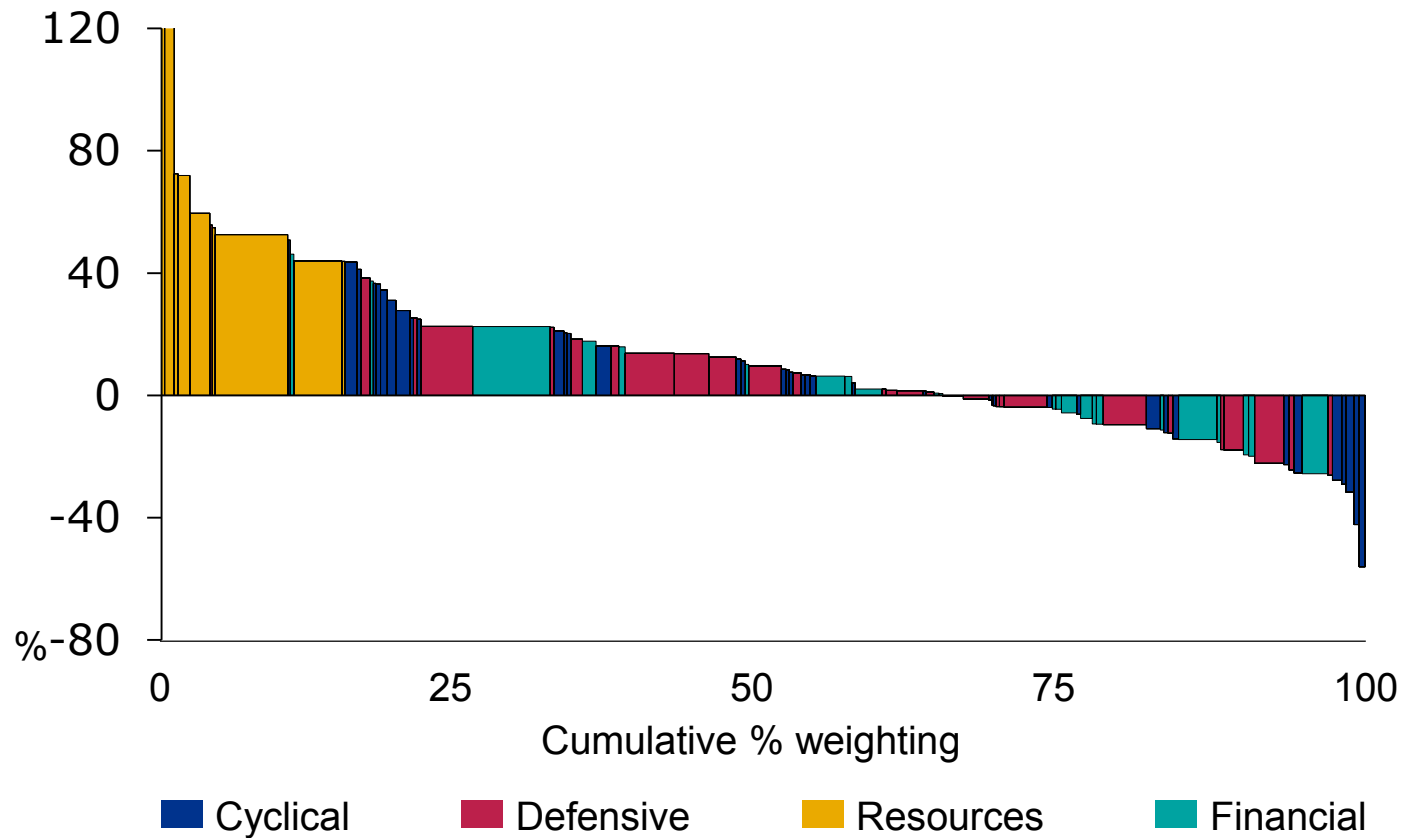
Source: Thomson Reuters, KPMG Makinson Cowell analysis

FTSE 100 performance 2015 vs weighting 12/14



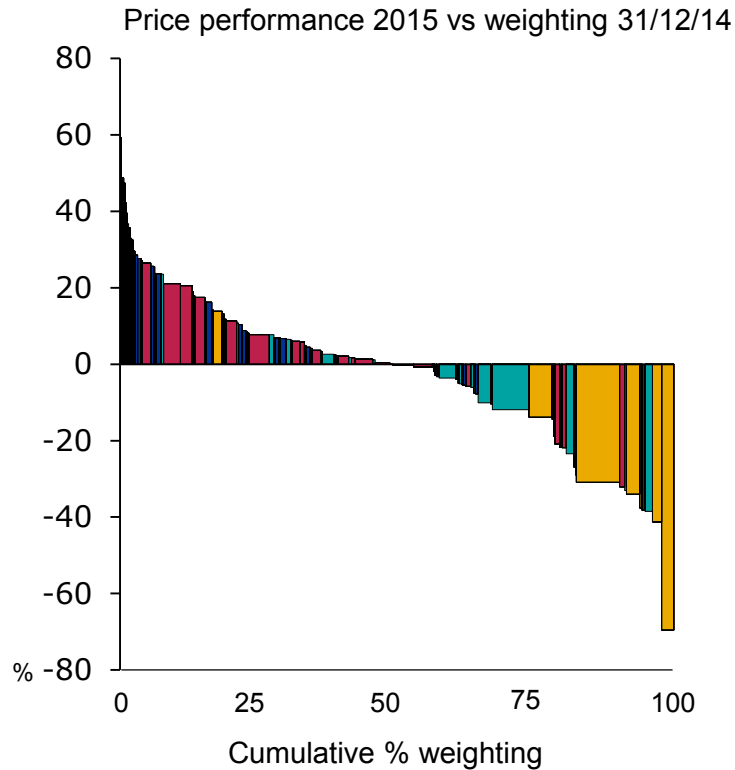
Source: Thomson Reuters

FTSE 100 performance 2016 vs weighting 12/15



Source: Thomson Reuters

FTSE 100 performance 2015 and 2016



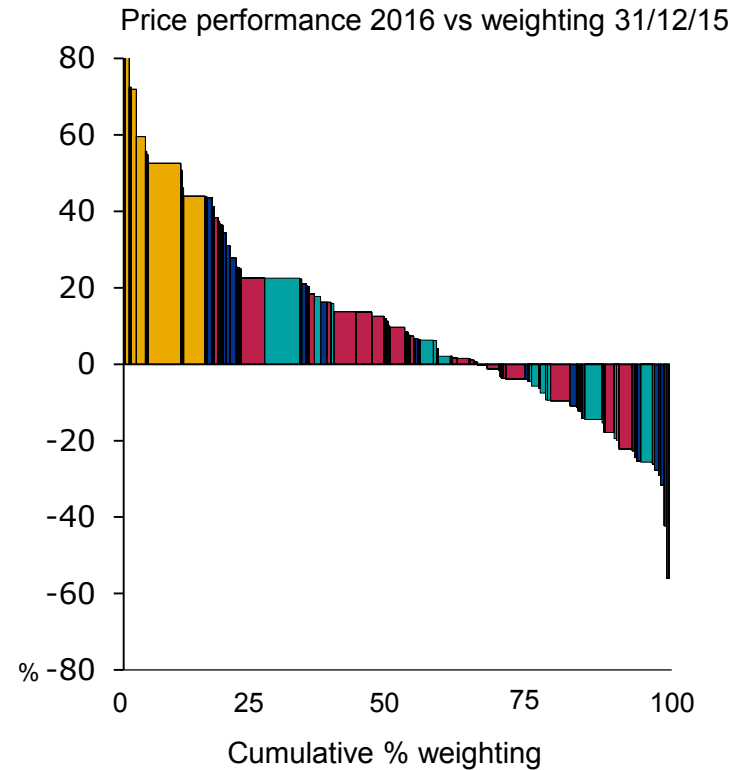
■ Cyclical

■ Defensive

■ Resources

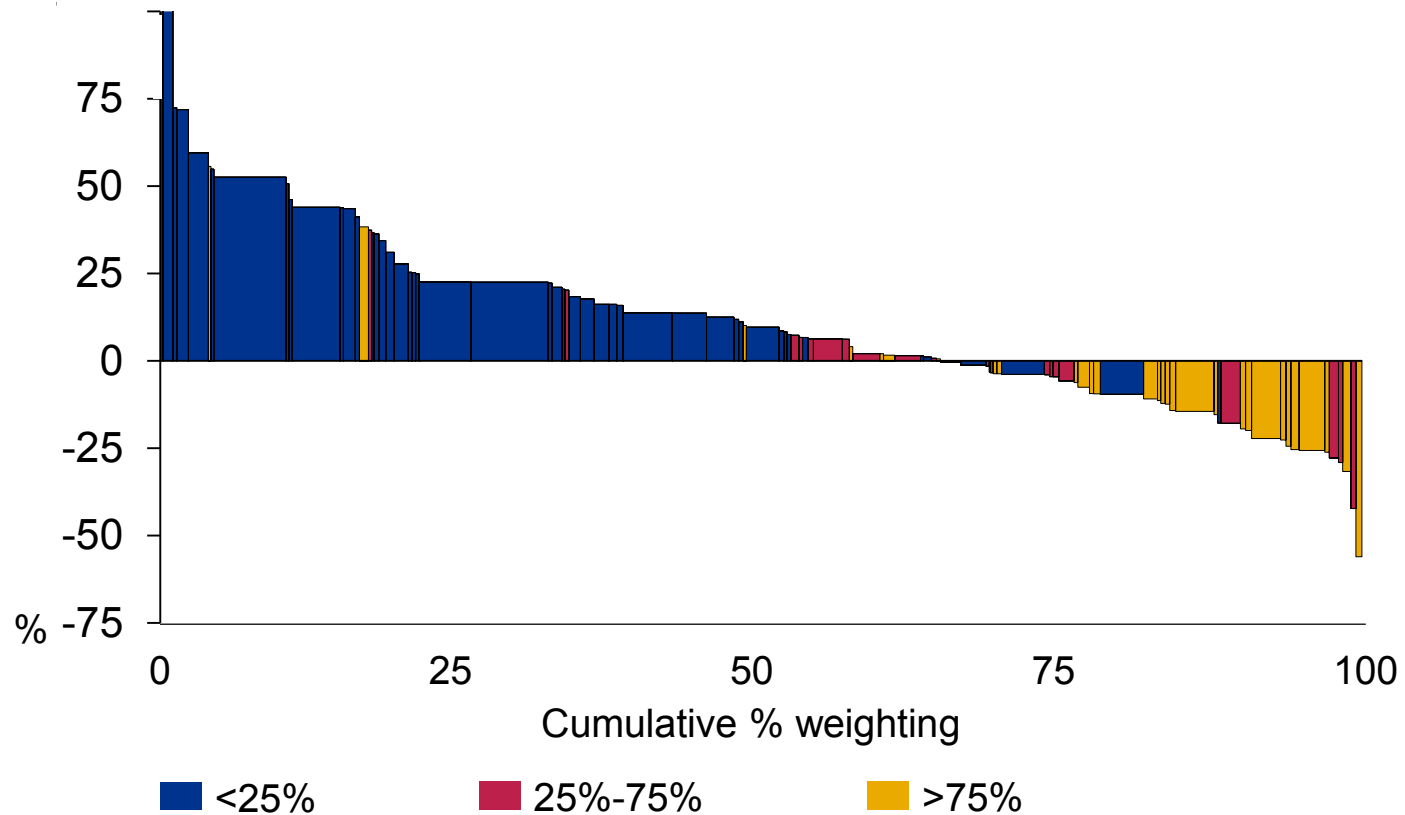
■ Financial

Source: Thomson Reuters



Source: Thomson Reuters

FTSE 100 performance 2016 & % UK revenue



Source: Thomson Reuters

Agenda

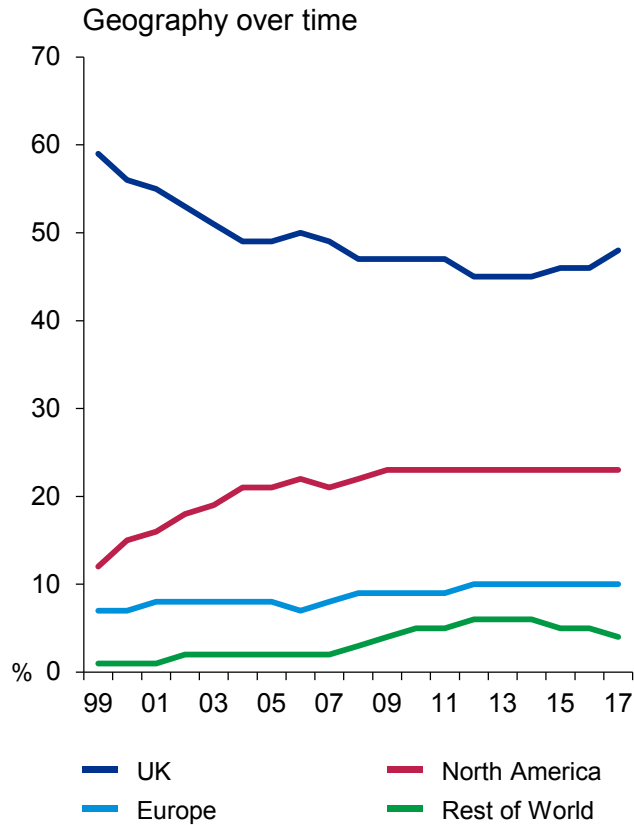
Institutional investors

UK equity market: performance and valuation

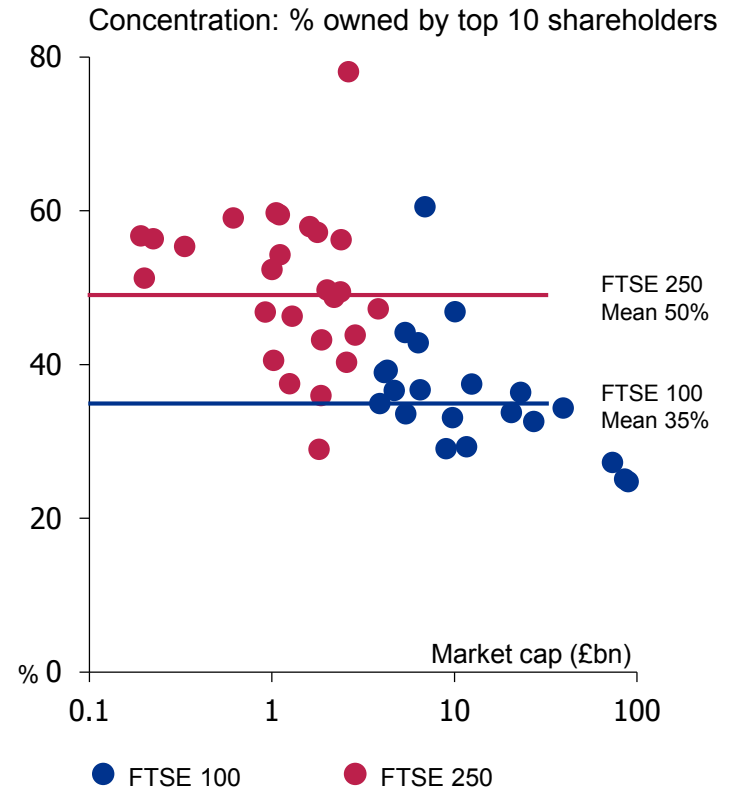
UK equity market: ownership

Concluding observations

UK equity ownership



Source: KPMG Makinson Cowell analysis



Source: KPMG Makinson Cowell analysis

Leading institutional investors in UK equities

Top 20 institutions in 2012

Institution	%
Legal & General	4.30
BlackRock (Index)	3.65
Scottish Widows	2.10
State Street GA	2.05
M&G	1.95
Standard Life	1.80
Schroder	1.50
Norges Bank Inv Mgt	1.45
Invesco Perpetual	1.35
BlackRock (UK)	1.30
Capital Research & Mgt	1.10
FIL	1.10
Aviva Investors (UK)	1.05
Threadneedle Inv	1.05
Newton	1.00
Templeton	1.00
FMR	0.95
Bernstein Value	0.90
AXA Inv Mgrs (UK)	0.75
JPMorgan Asset Mgt	0.75
	<u>31.10</u>

Top 20 institutions in 2017

Institution	%
BlackRock (Index)	4.40
Legal & General	3.10
Norges Bank Inv Mgt	2.20
Standard Life	2.20
Vanguard Group	2.20
Aberdeen Asset Mgt	2.15
Schroder	2.00
State Street GA	2.00
M&G	1.60
Columbia Threadneedle	1.50
Capital Research & Mgt	1.40
Invesco Perpetual	1.20
Artemis Inv Mgt	1.10
FIL	1.10
MFS Inv Mgt	1.10
Royal London Asset Mgt	1.10
Dimensional Fund Adv	1.00
Aviva Investors (UK)	0.95
JPMorgan Asset Mgt	0.85
People's Bank of China	0.80
	<u>33.95</u>

■ UK

■ North America

■ Europe

■ Rest of World

Source: KPMG Makinson Cowell analysis

Leading quant & indexed investors

Top 20 institutions in 2012

Institution	%
Legal & General	4.30
BlackRock (Index)	3.65
State Street GA	2.05
Norges Bank Inv Mgt	1.45
Vanguard Group	0.65
People's Bank of China	0.65
Northern Trust	0.55
Dimensional Fund Adv	0.50
APG Asset Mgt	0.45
GMO (US)	0.30
LSV Asset Mgt	0.25
CalPERS	0.25
Mellon Capital	0.20
Arrowstreet Capital	0.20
Acadian	0.20
PGGM	0.15
GMO (UK)	0.10
AQR Capital	0.10
Universal-Invest	0.10
Liontrust	0.05
	16.15

Top 20 institutions in 2017

Institution	%
BlackRock (Index)	4.40
Legal & General	3.10
Norges Bank Inv Mgt	2.20
Vanguard Group	2.20
Aberdeen Asset Mgt	2.15
State Street GA	2.00
Dimensional Fund Adv	1.00
People's Bank of China	0.80
Northern Trust	0.50
APG Asset Mgt	0.45
LSV Asset Mgt	0.40
Mellon Capital	0.30
CalPERS	0.25
GMO (US)	0.20
PGGM	0.20
Arrowstreet Capital	0.10
Acadian	0.15
Liontrust	0.15
AQR Capital	0.10
Universal-Invest	0.10
	20.70

■ UK

■ North America

■ Europe

■ Rest of World

Source: KPMG Makinson Cowell analysis

Agenda

Institutional investors

UK equity market: performance and valuation

UK equity market: ownership

Concluding observations

Concluding observations

- Institutional shareholders are key stakeholders
 - voting, supplying equity and debt capital, setting share prices
 - operating with clear quantitative and qualitative wish lists
- Growth has been elusive across the UK equity market
 - earnings in reverse but dividends higher so pay-out ratio increased
- Sterling devaluation a major factor for UK equities today
 - six month benefit to profits in 2016; full year benefit in 2017
 - upward profit revisions and growth back on agenda for now
 - 2018 will be a very important year for the market
- M&A activity increasing: driven by domestic and overseas predators
- London equity market making new highs
 - re-rated in P/E terms but not as regards dividend yield
- Ownership of UK equities globally spread; increasingly indexed
- Makinson Cowell advice available to KPMG clients



Channel Islands Governance Update

Timothy Copnell
Chairman, UK Audit Committee Institute

Agenda

- **UK Corporate Governance Code and Guidance on Audit Committees (FRC)**
- **Developments in corporate governance and stewardship (FRC)**
- **Green Paper: Developments in Corporate Governance (BEIS)**

Changes to the UK Governance Code & AC Guidance

- Accounting periods beginning on or after 17 June 2016
- Audit committee members - “competence relevant to the sector in which the company operates”
- Non-audit services - The audit committee should set and apply a formal policy specifying the types of non-audit service for which use of the external auditor is pre-approved. Such approval should only be in place for matters that are clearly trivial.
- New disclosures ...
 - how the audit committee’s performance evaluation has been conducted
 - the approach taken to the appointment or reappointment of the external auditor
 - the committee’s policy for approval of non-audit services ... including the ratio of audit to non-audit work
 - an explanation of how the committee has assessed the effectiveness of internal audit
 - the nature and extent of interaction (if any) with the FRC’s Corporate Reporting Review team - **see example 1**
 - any significant findings and the actions the committee and the auditors plan to take (where a company’s audit has been reviewed by the FRC’s Audit Quality Review team) – **see example 2**

Example 1

Source: Rolls-Royce Holdings Plc Annual Report 2014

Director's Report

AUDIT COMMITTEE CONTINUED

As reported last year, we monitored the enquiry from the FRC's Conduct Committee on the accounting for risk and revenue sharing arrangements (RRSAs). I joined management and KPMG in meeting with the Conduct Committee to hear first-hand and to participate in the debate. We considered carefully the Conduct Committee's views and possible alternative approaches. The Audit Committee concurred with management's view that the revised policy adopted in 2013 best reflects the nature of the transactions.

We also monitored an enquiry from the Conduct Committee regarding the accounting for long-term contractual arrangements in Civil aerospace. No adjustments resulted from this. However, the discussions did lead us to conclude that we had been insufficiently clear in explaining how the different ways we do business with our Civil aerospace customers lead to our accounting policies. In response to this and the views of investors, the Group has taken two principal steps. Firstly, an investor day was held in June, at which management explained the different commercial arrangements that apply and how we account for each. Secondly we have made enhancements to this year's Annual Report, primarily:

ESTIMATES

accounting policies subject to significant judgements on which these

estimates are based. We also considered the release of previously established provisions relating to unexpired guarantees under which the Group's obligations are judged to have been terminated.

We considered the estimates made in determining the amounts of the proceeds deferred in respect of the Group's continuing obligations for transitional commitments to provide future goods and services to Siemens. We were satisfied that the disposal has been accounted for appropriately.

We considered legal advice in respect of the SFO inquiries. We were satisfied that the disclosures appropriately reflect the current position.

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Rolls-Royce Holdings plc Annual Report 2014

Director's Report

- The description of the Civil aerospace business now emphasises that whenever we sell engines, we secure contractual rights to profitable aftermarket business even where there is no TotalCare agreement. Consequently, the description of the resulting intangible asset previously referred to as 'recoverable engine costs' has been changed to 'contractual aftermarket rights'.
- The accounting policies include a plain English description of the rationale for the accounting we apply and the detailed descriptions have been enhanced (see page 101).



on making sure that the Group's accounting policies are appropriate."

adoption



We place considerable emphasis on making sure that the Group's accounting policies are appropriate."

Following these two enquiries, we instigated a review of all the Group's significant accounting policies as described in note 1 of the Financial Statements and the key judgements and estimates supporting them.

These reviews were undertaken by management and involved analysis of the relevant accounting standards and guidance, comparative analysis with other companies with similar or analogous transactions to the extent available, consideration of the pros and cons of options in the context of achieving the most

useful representation of the transactions in the Group's accounts. Formal discussions with accounting firms other than the external auditors provided the committee with its views

From 2015 onwards, as a result of a broad ranging review of our risk governance approach, our overall assessment will combine oversight of the principal risks management activities undertaken by each board committee or the Board (as explained in the Chairman's Introduction on page 54); the Audit Committee will consider financial control and reporting, fraud and IT risks together with the oversight of the integrated control and risk management framework. The Board's oversight of risks and the coverage and depth, making detailed and that one of the internal control

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In line with financial controls by standards internal of This will operating intern We of the and the approach to the and plans

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Example 2

Source: esure Group plc Annual Report 2014

Corporate Governance Report continued

- Conduct risk (customer journey governance) – review of key governance mechanisms in place in the second line of defence at each stage of the customer journey and comparison to industry best practice and regulatory requirements
- Review of a key customer facing supplier in the claims process – controls around confidentiality and security of customer related data, training and quality processes to ensure a smooth customer journey and compliance with Trading Customers fairly regulations
- Governance review of end to end claims reserving – assess the main reserving practices within the Group, including key operational processes, assumptions and methodologies across both claims management and reserving activities
- Underwriting and pricing – assess the adequacy and effectiveness of key underwriting and pricing controls, in particular the processes and controls around rate changes
- IT estate refresh – analysis and review of the processes, governance and risk management relating to the project
- Cyber risk – a review of the design and effectiveness of processes and controls in relation to IT security

3 Effectiveness of internal audit
The Audit Committee supports the Board in fulfilling its responsibilities to review the activities, resources, organisational structure and the operational effectiveness of the internal audit activities. Following discussion with the Committee Chairman, Mazars LLP present their internal audit plans for approval, to the Committee at the start of each year and provide an update and further plans mid-year. The Committee reviewed the internal audit work plans during the year and concluded that they were satisfied with the plans and that they were addressing the key risks.

As part of the annual review referenced above, and considering management's opinion, the Committee were satisfied that the internal audit function remains effective and fit for purpose.

esure Group Annual Report 2014

The Internal Audit Charter can be viewed on our website at: www.esuregroup.com/corporate-information

4 Effectiveness and independence of the external auditor

The Audit Committee oversees the Group's relationship with the external auditor and formally reviews the relationship, policies and procedures to ensure independence. The Committee on the provision of non-audit services reviewed regularly to ensure independence and objectivity. External auditors (in this case, KPMG) are categorised into the categories of non-audit services which the external auditor is not allowed to provide. The policy states that external auditors may only work where specifically approved by the Committee. Auditors are also not to be involved in any other accounts or consultancy work.

The Group's policy can be found at: <http://www.esuregroup.com/corporate-information>

The Committee has a year detail of the external audit non-audit fees paid to the external auditor of £307,000, including compliance fees relating to the proposed acquisition. These due diligence fees are typically performed by the auditor as they are related, require data from the Group and the fees are not success based. These fees were not considered a threat to the independence of the external auditor. For the purposes of evaluating the independence of the external auditor, the Committee classifies the internal review fee as an external audit fee. Excluding the work performed in respect of the proposed acquisition of Gocompare and issue of subordinated loan notes, non-audit fees paid to KPMG were 28% of external audit fees in the year. Non-audit fees were principally related

KPMG's external audit of esure Group plc's 2013 year-end Annual Report and Accounts was reviewed by the Financial Reporting Council's (FRC's) Audit Quality Review (AQR) team. We have considered the findings of the APR review as part of the Audit Committee's assessment of the effectiveness of KPMG's external audit.

As well as receiving and discussing the AQR's final letter which summarised their conclusions, we had transparent conversations with KPMG's external audit engagement partner on the areas of the external audit that were reviewed by the AQR. This included understanding the nature of the discussions between KPMG and the AQR during the review and the actions that will be taken in response to the AQR's findings.

Specifically, the AQR recommended increased oversight of the IT related aspects of KPMG's audit. KPMG's initial risk assessment of the 2014 year-end audit had already addressed the need for increased oversight of the IT related aspects of the audit, given the planned IT investments that esure commended in 2014. Therefore, no modifications were required to the 2014 year-end external audit approach which was presented to the Audit Committee in July 2014, as a result of the AQR findings finalised in December 2014

The performance and has con

Nomination Committee



"To keep up of we mix of experience."

Possible attendance

The Committee comprises of three Independent Non-Executive Directors, the Chairman of the Committee, except for the Chairman of the Committee, who is not considered for succession to his role. The members of the Committee and their terms of office are set out in the table above. The Board considers that all members of the Committee have recent and relevant experience (see biographies on page 39).

Responsibilities
The responsibilities of the Committee include reviewing the size, structure and

composition of the Board and ensuring that the Board comprises the right balance of skills, knowledge and experience. The Committee oversees the search and selection for new Directors and succession planning for Executives.

The Committee's Chairman reports formally to the Board on its proceedings after each meeting.

Key activities
The activities of the Nomination Committee during 2014 included: succession planning for Executive Directors, Non-Executive Directors and the Executive Team, composition of the Board Committee, selection of a new Senior Independent Director ("SID") and developing talent within the business.

Meetings
The Committee meets at least twice a year, or more frequently if required. Two members, both of whom must be Independent Non-Executive Directors, constitute a quorum. Other regular attendees at Committee meetings include the Chief Executive Officer and the General Counsel & Company Secretary.

SID and Committee changes
The Committee kept the membership of the Board Committee under review. Following the Committee's recommendations to the Board:

- Shirley Gerrard succeeded Peter Ward as Chairman of the Audit Committee on 1 October 2014 and will succeed Dame Helen Alexander as SID on 13 May 2015. Shirley will step down as a member of the Investment Committee on 14 June 2015

The Committee also appointed

- Alistair Hobson as a member of the Committee
- Mike Evans as a member of the Committee
- Alexander as Chairman of the Remuneration Committee on 1 January 2015

Terms of Reference
The Nomination Committee's terms of reference can be viewed on our website at www.esuregroup.com/corporate-information/corporate-governance/nomination-committee

esure Group Annual Report 2014

Developments in corporate governance (FRC)

— Corporate Governance

- Compliance with the UK Corporate governance Code remains high
- 2016 AGM season showed generally reduced investor support for remuneration resolutions and concerns about the link between executive pay and performance
- Viability statements – a clear rationale for timeframe chosen, qualifications and assumptions made, and how the underlying analysis was performed – [see example 3](#)
- Succession planning - Nomination committees should be more active in aligning board composition with company strategy, and ensuring that the board has the necessary skills to ensure long-term success
- Boards should be better informed about the link between diversity, strategy and business values

— Stewardship

- Signatories to the UK Stewardship Code are now tiered according to the FRC's assessment of their reporting. The quality of signatory statements has improved substantially as a result

— Culture

- Companies urged to focus on culture as a driver of long-term value and not to wait for a crisis
- Boards should shape, embed and assess culture - and have regard to a wide set of stakeholders

Example 3

Source: Fresnillo plc Annual Report 2015

Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, and taking into account the Group's current position and its principal risks for a period longer than the twelve months required by the going concern statement, the Board established a working team to make recommendations on the preparation of the viability statement.

This team included two designated Directors, the CFO, CIO, COO, Head of Business Planning, and Head of Risk, with the Audit Committee overseeing the process.

After analysing various options, a period of five years, to December 2020, was chosen for the purpose of the viability assessment. In line with the Company's five-year forecast period normally used to evaluate liquidity and contingency plans which is key to us given that Fresnillo owns the full value chain from exploration to mine operations. It allows for modelling of capital expenditure and development programmes planned during the timeframe and reflecting cash flows generated by the projects currently under development. Due to the long business cycles in the mining industry, the Directors believed a shorter time period would be insufficient to perform an in-depth analysis of viability.

Reporting on the Company's viability requires the Directors to consider those principal risks that could impair the solvency and liquidity of the Company. In order to determine those risks the Directors routinely assessed the Group-wide principal risks and operations specific risks by undertaking consultations with Executive Management, mine managers and other personnel across the operations. Through these consultations the Directors also identified low probability, high loss scenarios – 'singular events' – with the potential magnitude to severely impact the solvency and/or liquidity of Fresnillo.

For the purpose of assessing the Group's viability, the Directors identified that of the principal risks detailed on page 37 the following are the most important to the assessment of the viability of the Group:

- Impact of global macroeconomic developments, specifically volatility in the price of gold and silver over a period of time
- Access to land
- Potential actions by the government which could include a delay in obtaining permits and/or new restrictive regulations
- Project delivery risks
- Environmental incidents

It was determined that no risks, except for price, would compromise the Group's viability. The Directors therefore identified the risks into the following scenarios, in order of priority (from highest to lowest):

Scenario 1: Impact of global macroeconomic developments

Scenario 2: Access to land

Scenario 3: Potential actions by the government which could include a delay in obtaining permits and/or new restrictive regulations

Scenario 1 Impact of global macroeconomic developments

Over a period of a year, precious metal prices fall and then remain at a low level for the following four years of the viability period, varying between US\$972-US\$1,033/oz for gold and US\$14.0-US\$14.8/oz for silver. To create this impartial projection for the future low metal price environment, an average of the three lowest forecasts from each year of the assessment were used, based on consensus estimates published by Bloomberg at the end of December 2015. This low metal price environment was deemed to be the most significant risk and pervasive across the Company. (Principal risk A)

Scenario 3 Tailings dam breach at a mine

A tailings dam collapse and tailings are released into the surrounding area, causing environmental damage. A fund is created by the Company to be used to remediate the area.

(Principal risk E)

The scenarios on the previous page are hypothetical and extremely severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group. However, multiple control measures are in place to prevent and mitigate any such occurrences from taking place. In the case of these scenarios arising, various options are available to the Company in order to maintain liquidity so as to continue in operation, such as suspending some or all of the following capital expenditure: Pyrite (\$176.3 million), Orizaba (\$520.3 million), Centaurio Deep (\$520.3 million), Centaurio Extension (\$515.0 million).

In more detail on pages 38 to 40, the Directors have considered the option available to the Company to suspend capital expenditure on an annual basis (average). To quantify the impact of this viability from the and remediation costs, the Directors have considered the impact of similar incidents

All scenarios were first evaluated using average metal prices¹, and modelled to occur when each scenario could have the most significant impact on cash resources. Once the mitigation plans of deferring capital expenditure had been applied to the extent necessary, there was no threat to the viability of the Group. To create a more stringent test and further challenge the resilience of the Group, all scenarios were then overlaid with scenario one, (low metal price) and then re-evaluated.

After these had been modelled, the only scenario that caused a certain degree of stress to cash flow was scenario number three in combination with the low metal price scenario (number one), which the Directors consider the assumptions used for this scenario were greatly amplified for the purposes of this assessment. In addition to suspending capital expenditure, a further mitigating action could include a 50% reduction in the exploration budget for the first three years.

Strong risk management and internal control systems are in place (see page 36) throughout the Company. Through the internal control systems, the Directors monitor key variables that have the ability to impact the liquidity and solvency of the Company and are confident that management is able to sufficiently mitigate any situations as they might occur. Nevertheless, as a result of this assessment certain actions for the reinforcement of controls and their monitoring have been identified and will be implemented to further strengthen the control environment.

Based on the results from these scenarios, and having considered the established controls for the risks and the available mitigating actions, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their detailed assessment. This longer term assessment process supports the Directors' statements on both viability, as set out above, and going concern, made below.

¹ Average consensus, including December 2015 and January 2016 forecasts.

US\$14.0/oz and US\$14.8/oz respectively throughout the period, whilst maintaining capital expenditure and only the projects approved by the Directors. This resulted in the Group's cash flow being over US\$1.5 billion over the five-year period. In addition, the Directors have considered the impact of the price of gold and silver falling to US\$972/oz and US\$14.0/oz respectively. This would result in cash being at minimal levels by the end of the period without applying mitigations.

Should metal prices remain below the stressed prices above for an extended period, management have identified specific elements of capital and exploration expenditure which could be deferred without adversely affecting production profiles. Finally, management could amend the mining plans to

concentrate on production with a higher margin in order to accelerate cash generation without affecting the integrity of the mine plans.

After reviewing all of the above considerations, the Directors have a reasonable expectation that the Company has sufficient flexibility to manage its cash resources to maintain its liquidity and solvency over the five-year period. The Directors also consider that the Company could implement the above actions to achieve its targets and objectives by 2020.

Green Paper: Corporate governance reform

- **Executive pay**
 - Shareholder engagement
 - Transparency
 - Remuneration committees
- **Strengthening the employee, customer and wider stakeholder voice**
 - Stakeholder advisory panels
 - Designate existing non-executive directors to ensure that the voices of key interested groups, especially that of employees, is being heard at board level
 - Appoint individual stakeholder representatives to company boards
 - Strengthening reporting requirements related to stakeholder engagement
- **Corporate governance in large privately-held businesses**

Corporate Governance

Experience from 2015/ 2016

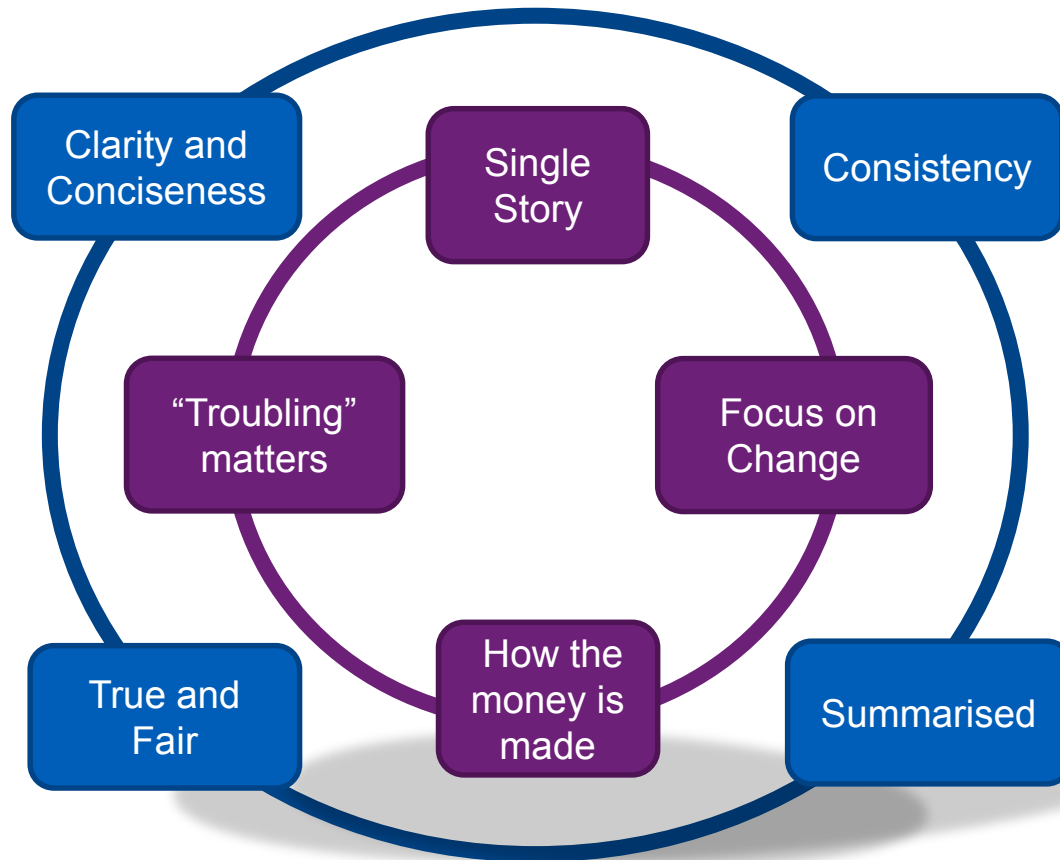
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FRC – Characteristics of Good Corporate Reporting



Significant Areas of Comment – Alternative Performance Measures

The issue:

- Wide Spread Use
- Can present results and position significantly differently from GAAP – Tend to increase profit
- Does provide useful insight
- Guidelines exist to inform user
- No definition / framework

The requirements:

- Embodied in ESMA Guidelines:
- Explain relevance
- Explain methodology
- Consistent application
- Reconcile to GAAP
- Neutral
- Do not give prominence over GAAP

Characteristics to consider:

Single Story / Highlighting Linkages

How the Money is Made

Clarity & Conciseness

True and Fair

Significant Areas of Comment – Disclosure of Accounting Policies

The issues:

- Generic boilerplate discussions
- Omitted or limited disclosures relating key transactions
- Disconnect between managements discussions and the financial information

The requirements:

- Disclosure of significant policies
- Highlight the judgements in the context
- Focus on key transactions and complex issue
- Do not simply repeat the standards
- Focus on where options exist

Characteristics to consider:

Clarity & Conciseness

Company Specific

Summarised at the Appropriate Level

Significant Areas of Comment - Matters that Trouble the Board

The issues:

(PRU, Judgements/
Estimates and Capital
Management)

- Boiler plate
- Limited connection to managements actions to mitigate, KPI's and objectives
- Disconnect between management and financial information

The requirements:

- The user should be able to understand and evaluate the key judgements made
- The user should be able to understand actions taken
- Sensitivity analysis to help users understand impact of issues

Characteristics to consider:

Company Specific

Single Story / Highlighting Linkages

Clarity and Conciseness

Significant Areas of Comment – Impact of Change

The issue:

- Significant impact of major new standards
- Potential impacts from BREXIT
- Understand key changes in business and significant non-routine transactions
- How changes relate to the business and risks it faces

The requirements:

- Discuss impact: PRU
- Provide sensitivity analysis
- Financial risks link with other disclosures
- Regulators expectations – quantitative and qualitative information

Characteristics to consider:

How the Money is Made

True and Fair

Clarity & Conciseness

Single Story / Highlighting Linkages



Thank you



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