FRC
Financial Reporting Council

# The Wates Principles for Large Private Companies

## Reporting Insights

December 2025

# Contents






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# Executive Summary

This report marks the first publication since the Wates Principles were brought in-house at the FRC. The purpose of this report is to assist companies that have chosen to adopt the Wates Principles in disclosing meaningful and relevant information about their corporate governance arrangements. Our aim is to provide insights that are supportive and proportionate and assist companies to improve their reporting for users of reports. Building on previous assessments, this report highlights examples of good practice and offers practical guidance.

The Wates Principles are a set of principles which companies apply throughout the course of the year before explaining how they have done so in their annual reporting. This year, we analysed the corporate governance statements of a sample of companies that have chosen to adopt the Principles, which are based on the critical role that boards play in driving good governance. We encourage companies to focus their reporting on actions and decisions taken at board level.

The Principles' accompanying guidance is high-level, proportionate and intended to help companies explain how they have applied each Principle. This report offers additional support for companies to report effectively on their governance arrangements.

In addition to feedback gathered from stakeholders during a series of roundtables held earlier in the year, our analysis has helped to identify specific areas where companies may benefit from further support and practical suggestions. These insights aim to guide organisations in enhancing the specificity, transparency and impact of their disclosures. Suggestions in this report are intended to encourage more meaningful reporting. We highlight areas where reporting can be clearer and more concise which can reduce the length of annual reports.

Governance structures that are effectively aligned with a company's purpose and strategy play a crucial role in fostering accountability, growth and ensuring long-term success. Companies that are well governed are better positioned to build stakeholder trust, raise capital and investment and deliver value for wider society.

Stakeholder feedback has indicated that the Wates Principles provide a valuable corporate governance framework for large private companies. Some stakeholders have suggested that they are particularly beneficial for organisations preparing for an initial public offering or seeking to enhance their governance practices more broadly. We observed some transparent and informative reporting in the corporate governance statements that we have analysed. However, reporting against Principles One, Two and Five continues to lack meaningful insight from many reporters.

Feedback from stakeholders suggested that various sections of the annual report are often prepared by different individuals and teams across the organisation. This fragmented approach can hinder the coherence and consistency of disclosures. Companies are encouraged to consider the annual report as a cohesive and integrated document. Making use of cross referring and reducing duplication within the report makes it easier for the reader to navigate and engage with the report.

# 1. Principle One – Purpose and Leadership

**An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.**

Principle One is the guiding Wates Principle which refers to reporting on a company's purpose and how it aligns with the company's values, strategy and culture. From the reports we reviewed, reporting against Principle One is generally of lower quality compared to reporting against other principles, often appearing generic without any specific detail or examples. In some cases, reporting simply mentions the existence of a purpose and strategy without stating what they are. In addition, there is generally a lack of discussion on the outcomes of any actions undertaken by the board. For example, reporting on culture could be improved through reflecting on how any initiatives have improved staff wellbeing (such as increased positive responses to any staff surveys).

## Purpose

A clearly articulated purpose, which sets out what the company is trying to achieve, can help the workforce better understand their roles and objectives while also offering clarity to wider stakeholders. The board plays an important role in communicating the purpose and setting out how the strategic decisions the board makes are guided. While some companies that follow the Wates Principles will have their purpose set by a parent company, there is still room to describe how this purpose is developed and communicated at the group level.

Good reporting against Principle One will set out a company's purpose and explain how it underpinned other strategic decisions. It will also provide insight into the board's role in establishing and implementing the company's purpose, and will explain how information on the purpose is communicated to stakeholders. The example below demonstrates the role of the board in establishing and communicating the purpose of the company.

**Source: L'oreal (UK) Limited, 2024, p.21**

... the Board inputted into and approved the proposal and communication plan for the 2024 Frame – an important tool to outline and align on shared priorities and strategic focus areas [...] The Frame also captured the Company's purpose to 'create the beauty that moves the world' and mission to continue to work as 'one UK and Ireland team' to drive sustainable growth. Input into and having this guiding Frame enabled the Board's awareness for consideration of decisions throughout the year. [...]

Simplicity and the Frame were both presented in a Q1 Townhall by the Company's Managing Director & Chair and HR Director & board member. Then further cemented into the culture through ongoing engagement, internal communications videos and individual team building strategy days.

## Strategy

Some companies find it difficult to report effectively on strategy. Good examples of reporting make use of signposting to avoid unnecessary repetition and provide insight into the company's strategic priorities. Reporters are encouraged to avoid duplication by linking to where information on the company's strategy is set out (for example, the strategic report if this is where the strategy is referenced). The Wates Principles explain that the board is responsible for ensuring that the strategy is clearly articulated and implemented. Better reporting against strategy sets out how the strategy is monitored and communicated, as well as how it supports appropriate behaviours and aims of the company.

**Companies could consider the following questions to report meaningfully on their strategy:**

- Who is responsible for setting the company strategy?
- What are the company's short-term targets and long-term aspirations?
- When is their strategy reviewed?
- How is the strategy implemented and monitored?
- How is the strategy communicated to stakeholders?
- What decisions did the board make during the year about their strategy?

## Culture and Values

Like the purpose and strategy of a company, its values should underpin the different functions and operations of the business. Reporting in this area demonstrates what a company's values are, as well as how they guide decision making. The Cera Care example, on the right-hand side, sets this out clearly. Culture is important because a healthy culture protects long-term value by encouraging engagement and employee-retention, for example. Good reporting in this area sets out how the board embeds and monitors the culture. Measures such as staff surveys, site visits and employee forums were some of the ways in which companies demonstrated how the Board monitored culture (as shown in the example from Blackrock).

**Source: Cera Care Limited, 2024, p.19**

Cera shares three values:

- Commit: We commit to making responsible decisions, being accountable and delivering on our promises, for the good of the people we care for.
- Connect: We are at our strongest when we work together as a one Cera family, to deliver the best service for the people in our care.
- Create: We innovate and find new solutions to build a more sustainable future for health and social care through technology.

These values are the foundation for how Cera relates to and interacts with our mission, each other, our business partners, and our members.

Our values underpin every interaction we have, whether with colleagues, customers, suppliers or the communities in which we operate.

**Source: Blackrock Investment (UK) Limited, 2024, p.20**

Management monitors culture, examples of such include employee surveys, absenteeism rates, exit interviews and board feedback sessions; and reports to the Board periodically. Employees are encouraged to report concerns relating to business integrity through established whistleblowing processes, and anonymized concerns are reported to the Board on a quarterly basis.

# 2. Principle Two – Board Composition

**Effective board composition requires an effective chair and balance of skills, background, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.**

Principle Two refers to effective board composition and the importance of having an appropriately skilled and balanced team that is led by a chair who can get the best out of each board member and accept challenge and feedback both to, and from, the executive. Feedback from our engagement with stakeholders emphasised how valuable reporting on board composition is to users of annual reports. Transparent reporting on board composition is important to help stakeholders understand who is responsible for oversight of the company. This is an area where reporting is often boilerplate and lacks specificity. Boilerplate reporting will include high level information, for example, a statement to say that they have a non-executive director (NED), without any explanation of their role or importance.

## Relationship with parent company and/or subsidiary companies

The Wates Principles are designed to be flexible, allowing them to be applied across a diverse range of companies with different ownership and governance structures. In certain cases, the composition and responsibilities of a company's board may be influenced by the governance arrangements of a parent or subsidiary company. In these circumstances, companies are encouraged to provide clear and transparent disclosures about their ownership structure and to apply Principle Two in a manner that is proportionate to their specific circumstances. This approach ensures that disclosures remain meaningful and relevant, both to the company and its stakeholders.

Companies that demonstrate lower quality reporting in this area tend to limit their disclosures to the composition of the board at the parent company level, without providing specific information about the governance arrangements of the board structure at the entity level, and the relationship between the two. This lack of entity-level detail can obscure important aspects of how governance is exercised within the company and may reduce the transparency and usefulness of the reporting for stakeholders seeking to understand the company's specific governance practices.

## Information about the Chair

Companies are encouraged to clearly set out the role of the Chair in their governance statement. The Chair has overall responsibility for the effectiveness of the board and is responsible for ensuring good governance. The example below explains that the role of the Chair and Chief Executive Office are separate and provides a summary of their key roles and responsibilities.

**Source: Clancy Group Holdings, 2024, p. 26**

**The Board**

The roles of the Chairman and Chief Executive Officer are separate with each having clearly defined duties and responsibilities.

The Chairman provides leadership to the Board. He is responsible for setting the agenda, chairing the Board meetings and for ensuring that the Board has sufficient time to discuss all items on the agenda. The Chairman is also responsible for ensuring that the Directors receive all the necessary information and reports. Along with the Chief Executive Officer, the Chairman also ensures that the appropriate standards of corporate governance are effectively communicated and adhered to throughout the Group.

The Chief Executive Officer is responsible for leadership of the Group's management and its employees on a day-to-day basis. In conjunction with the Operating Board, the Chief Executive Officer is responsible for the implementation of Board decisions.

Where there have been no significant changes to the Board Composition during the year, reporting may be briefer.

## Balance and Diversity of the Board

A well-balanced combination of skills, experience, and knowledge on the Board is essential for promoting effective decision-making, robust oversight, and strong accountability. Diversity in the boardroom enhances strategic thinking and reduces the risk of groupthink. Rather than focusing solely on demographic characteristics, companies may consider providing insight into the range of skills, expertise, and professional backgrounds currently represented on the Board.

In cases where the Board is lacking in diversity, reporters should be transparent about any gaps in skills and experience. This includes acknowledging areas where the Board may lack specific capabilities (e.g., digital transformation or sector-specific knowledge). Importantly, companies could outline how they intend to address gaps in diversity, for example through succession planning, targeted recruitment, ongoing board development initiatives or seeking access to expertise from within the company or externally. Not all companies, for example some family businesses, will be able to address all gaps in their composition. In these instances, board development such as training and having access to external expertise will be particularly important. Such disclosures not only demonstrate a commitment to continuous improvement but also build trust with stakeholders by showing that the company is proactively managing its governance capabilities.

## Non-executive directors

There is no requirement for every company to have an independent non-executive director. However, as companies grow, additional challenge and oversight can be useful. The role of the independent NED is to provide constructive challenge and ensure that management is held to account.

Companies that don't currently have independent NED's are encouraged to disclose any plans to recruit one, or to explain how effective challenge is achieved in the absence of a NED. Where there are independent NED's on the board, most companies provide limited insight into their role. Companies are encouraged to disclose the key responsibilities of their NED's, as demonstrated in the example below.

## Board evaluation

The Wates Principles do not require companies to have a formal board evaluation. A periodic external review can be a valuable feedback mechanism for monitoring and improving board effectiveness, it may not be viable or appropriate for some companies and most large private companies do not commission external reviews. These companies are encouraged to consider alternative ways to seek feedback about directors to identify areas of strength and weakness and to act upon them.

**Source: Manchester Airport Holdings, 2024, p. 84**

**Non-Executive Directors**

The Board's Non-Executive Directors bring extensive knowledge, skills and experience from both the private and public sectors, and support the Executive team in the development and execution of strategy whilst ensuring that plans and proposals are scrutinized effectively. The Board's Non-Executive Directors also hold the Executive team to account in meeting agreed goals and objectives.

All Non-Executive Directors are appointed subject to objective capability criteria and the appointment of every independent Non-Executive Director (including their remuneration) is, in common with that of Executive Directors, subject to prior approval of the voting shareholders. The Non-Executive Directors appointed by the voting shareholder hold office for so long as the shareholder wish them to do so.

The remaining Non-Executive Directors are appointed initially for a term of three years, with any renewal thereof being a matter for the voting shareholders (on the recommendation of the Board and the Nomination Committee). Any decision on such renewal will have regard to the contribution made by the director in the immediately preceding period and relevant corporate governance best practice at the time to ensure the ongoing efficacy of the Board.

**A review of the board may consider the following aspects:**

- The board's decision-making processes
- The effectiveness of any board committees
- How the board works together as a unit
- The mix of skills and experience on the board
- Succession plans
- How the board engages with stakeholders

# 3. Principle Three – Directors Responsibilities

**The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.**

The focus of Principle Three is on the role of directors, their decision-making processes and the information on which they rely to make these decisions. Through our analysis of reporting, we identified some better reporting on issues such as board committees, which we will highlight in this section.

## Accountability

The guidance for Principle Three explains that an effective board should establish and maintain corporate governance practices that provide clear lines of accountability and responsibility to support effective decision-making.

Companies that follow the Wates Principles have a wide range of ownership structures, and their lines of accountability will depend on the size and nature of their organisation. However, companies are encouraged to be transparent and explain who in the organisation is ultimately responsible for the long-term success of the company. The company, in the example on the right-hand side, clearly set out their lines of accountability and explain who is responsible for decision making in the organisation.

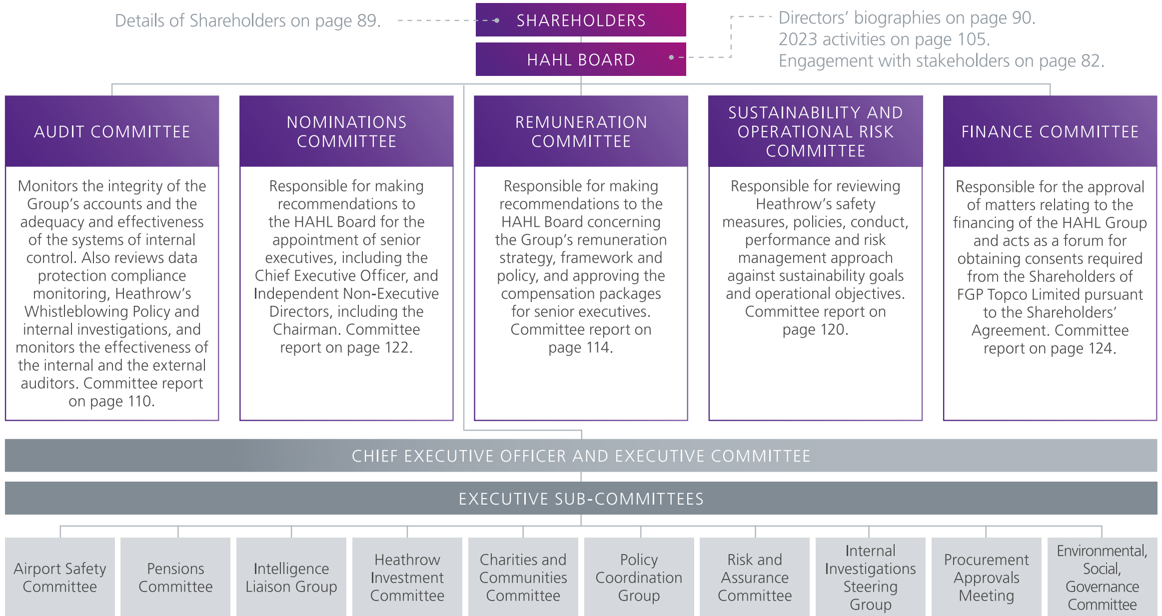
**Source: Heathrow Airport, 2024, p. 101**

GOVERNANCE STRUCTURE

The HAHL Board determines the long-term strategy, direction, culture and performance of the HAHL Group, including approval of the annual budget and management business plan. It is responsible for ensuring that the HAHL Group acts ethically and meets its legal and regulatory responsibilities, monitoring the HAHL Group's performance and ensuring the HAHL Group has the necessary resources to meet its objectives.

Whilst the HAHL Board retains oversight and accountability for decision making within the HAHL Group, responsibility for day-to-day management and decision making is delegated to the Chief Executive Officer and the Executive Committee. The HAHL Board delegates specific responsibilities to its formal Committees, which consist of individuals with the most appropriate knowledge, expertise, industry experience and independence.

The duties of the HAHL Board are executed partially through its five principal Committees: Audit, Nominations, Remuneration, Sustainability and Operational Risk and Finance. These Committees operate within defined terms of reference, which are reviewed regularly by the HAHL Board. The role of Company Secretary to the HAHL Board is performed by the General Counsel.



## Board Committees

Many companies that choose to adopt the Wates Principles provide little information on any board committees they may have. While the need for Board committees will depend on the structure and size of the company, they can help to improve board effectiveness and support growth by offering space for more in-depth discussion, providing additional oversight and expertise.

**Boards are encouraged to consider the following when delegating responsibilities to a board committee:**

- Purpose of the Committee
- Terms of reference
- Skills and experience
- Remit and scope
- Culture

When reporting on board committees, disclosures should be clear, purposeful, and relevant, avoiding unnecessary length or duplication in the annual report. The example below sets out the key, high-level information about their remuneration committee which gives the reader an insight into their function.

**Source: Virgin Atlantic, 2024, p. 95**

**Remuneration Committee**

**Role of the Committee**

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration and other benefits of senior management employed by the Company.

The Committee also oversees the introduction and amendment of any long or short-term incentive plans.

Key responsibilities

- The setting and monitoring of a fair and appropriate remuneration policy and its application for senior management;
- To ensure that policies, plan designs and reward decisions align with business strategy, are well cost governed and support sustainable business performance; and
- To balance the needs of Executive and shareholder interests and to ensure alignment of reward policies with the Executive talent management strategy

**Members of the Remuneration Committee**

The Remuneration Committee is made up of two Virgin appointed Non-Executive Directors and two Delta appointed Non-Executive Directors, As at 31 December 2024 the Committee members were Peter Norris (Chair), Luigi Brambilla, Ed Bastiana and Alain Bellemare.

# 4. Principle Four – Risk and Opportunities

**A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.**

Principle Four introduces recommendations concerning the processes in place to identify opportunities to promote long-term value creation and manage risks. Identifying and managing a company's risks is integral to ensuring the effective development of a company's strategic objectives and creating opportunities to succeed. Based on our analysis of reporting, we found that this is an area of reporting where companies tend to provide more insightful disclosures, offering greater transparency and clarity.

Under Principle Four, companies may opt to cross-reference the strategic report, where disclosure of the principal risks and uncertainties facing the business is already required.

## Opportunity

The guidance for Principle Four on opportunities is high level, allowing companies discretion on what to report, as some information may be commercially sensitive.

The guidance explains that the board should consider and assess how the company creates and preserves value over the long-term. This invites boards to consider both tangible and intangible sources of value, and the stakeholders that contribute to it. While many companies report on the role of the board in considering and assessing how the company creates value over the long-term, fewer companies report on the processes that they have in place to identify opportunities. The example below demonstrates how the board considers opportunities over the short-term and long-term.

**Source: NG Bailey, 2024, p. 54**

**Opportunities**

Short-term opportunities are identified and addressed as part of the monthly business performance and quarterly forecast review processes which are are attended by the Chief Executive, Chief Executive Designate and members of the senior leadership teams of the Group's divisions.

Long-term strategic opportunities are considered as part of the annual Group strategy process which is presented to the Board. This includes an assessment of how the Group creates and preserves value for the long-term including both financial and non-financial risks and opportunities.

As part al the approval process for significant opportunities and contracts (defined within the Group's delegated authorities), in-depth presentations are given to the Board by the management team to allow for constructive challenge and approval before proceeding.

## Risk

The board has overall responsibility for the company's approach to strategic decision making and effective risk management. This requires boards to have oversight of the company's risks and how it is managed, with appropriate accountability to stakeholders. Companies are encouraged to disclose the processes for the identification and management of risks. Transparent reporting on these processes provides stakeholders with information to hold the company to account and enhances stakeholder confidence. The example below explains how risk is managed at the company.

**Source: Leonardo UK Ltd, 2024, p.14**

***Risk***

Risk is managed using the Company's standard risk management process, which requires all divisions to identify and manage their risks at a divisional and project level, described in a formal syntax of causes, risk events and consequences. These risks are then subjected to statistical analysis, both pre and post-mitigation to assess the potential impact. A central risk tool supports the process and generates a comprehensive analysis across the whole Company.

Lifecycle management is used to provide governance through gate reviews at key risk points in the Company's main programmes and projects. The standard process is defined by Leonardo in its Project Management Manual and applied across all divisions.

Phase Review Chairs and their assessors, who are independent of the project or programme, conduct reviews of plans and progress at key stages. A summary report is issued to the project and the relevant management team identifying key actions to minimise risk going forward. The process also incorporates a 'lessons learned' mechanism to ensure that experiences in one project can be shared with other projects in order to enable continuous improvement activity.

If information on risk is disclosed in other parts of the report, companies are encouraged to cross-reference this to make the report more concise and user-friendly. More information on how to cross-reference effectively can be found on page 15.

## Responsibility

Principle Four also explains that the board should establish a framework with clearly defined roles and responsibilities for those involved. The example below sets out risk management roles and responsibilities across the organisation.

**Source: Esure Group, 2024, p.33**

# Risk Management

continued

**Risk governance**

We manage risk through the three lines model which provides a simple and effective way to delegate and co-ordinate risk management roles and responsibilities across the organisation. Further information on the work of the Risk Committee can be found in the Corporate Governance Report on pages 89 and 90.

**1st Line – Business functions that own and manage risks**

- Primary ownership, responsibility and accountability for identifying, assessing and managing risks and controls

**2nd Line – Risk and compliance functions that oversee compliance and management of risks**

- Monitor and help implement effective risk management practices and facilitate the reporting of risk-related information

**3rd Line – Internal audit function that provides independent assurance**

- Improves esure's operations through independent objective assurance and consulting activities

Accountability for the Risk and Compliance function resides with the Chief Risk and Legal Officer, a member of the Group Executive who reports to the Chief Executive Officer. Independence is assured through direct access to the Chair of the Risk Committee.

The accountability for the internal audit function resides with the Chief Audit Officer ('CAO'), who reports to the Chief Executive Officer. The independence of the CAO is assured through a direct reporting line into the Chair of the Audit Committee.

Accountabilities across the Executive Team and senior management are clearly articulated and managed through the Group Responsibilities Map.

**When reporting on opportunity and risk, it may be helpful to consider the following:**

- How are opportunities identified?
- Who is responsible for considering opportunities?
- How are risks identified, managed and mitigated?
- Are roles and responsibilities for risk management clearly defined?
- How does the board receive information on risk management?

# 5. Principle Five – Remuneration

**A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.**

Principle Five regards how remuneration structures and practices align with the long-term success of the company. Reporting in this area provides stakeholders with information on any remuneration policies a company follows.

In general, reporting in this area is weaker compared to other principles, and often takes the form of broad statements that remuneration is set to attract and retain the best talent. Feedback from stakeholders during the roundtables highlighted that some companies face challenges in reporting on executive pay. This difficulty often stems from an organisational culture that does not prioritise transparency around pay structures, making it unfamiliar for companies to disclose such information publicly.

Better reporting provided insight into the decisions made regarding remuneration and how the sustainable success of the company was considered. This does not necessarily mean disclosing specific figures, but rather the rationale behind any remuneration decisions. The example on the right-hand side demonstrates how performance over different timeframes, short and long-term is factored into remuneration decisions.

**Source: Manchester Airports Holdings Limited, 2024, p.93**

The Short-Term Incentive Plan (STIP) is balanced between key financial performance measures (60%) and the achievement of personal objectives (40%). Personal objectives are specific to each Executive and are dependent on the achievement of specific in-year actions aligned to our strategic priorities.

The Long-Term Incentive Plan (LTIP) is linked to the achievement of both financial measures and key priorities for MAG.

This approach of a basket of key measures (financial and other) ensures an approach which is focused on the long-term health of the Group as well as in-year performance.

*Outcomes for both the STIP and LTIP are determined based on threshold, targets and then stretch measures. Full vesting can only occur where all stretch targets are achieved across all measures.*

Good reporting against remuneration also includes how pay levels are set.

**Source: Allianz Insurance, 2024, p.13-14**

Compensation is set with reference to the Remuneration Policy and to the compensation framework set up by Allianz SE Group's Compensation Committee. Salaries of all Allianz UK employees are aligned to the performance of the business and market conditions, with bonus (and long-term incentives for senior executives driven by a combination of personal and business performance.

The Compensation & Nomination Committee determines total remuneration in relation to Directors (executive and non-executive) with approval by the Board. The Compensation & Nomination Committee seeks external input from specialist advisors on, for example, market trends and benchmarking and takes into account relevant UK regulatory guidance on remuneration. Different stakeholder groups such as customers and shareholder and considered when determining appropriate levels of performance related payments.

Some companies also note that remuneration policies are set by the parent company:

**Source: Heineken UK Limited, 2024, p.27**

Management Team renumeration is determined through the Company's ultimate parent, Heineken N.V. and includes fixed and variable components. […] The equity settled plan is operated by Heineken N.V. and is uniformly applied in Operating Companies throughout the Heineken N.V. Group. The Long-Term Incentive plan is performance based, based on criteria set and monitored by Heineken N.V.

**When reporting on remuneration, it may be helpful to consider the following:**

- What are the roles of any remuneration and/or nomination committees in setting pay levels?
- What have been the key decisions made by the above committees during the year?
- How is director pay affected by how far strategic aims of the company are accomplished or progressed?
- Has the company considered any pay gaps in relation to gender or ethnic diversity?
- What role do any parent or subsidiary companies play in setting remuneration policy?

# 6. Principle Six – Stakeholder Relations and engagement

**Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.**

Principle Six relates to directors' relationships with their stakeholders which should align to the company's purpose. Insights from stakeholder roundtables indicated that disclosures under Principle Six are generally of a high standard, reflecting thoughtful and meaningful engagement.

Companies that report well on stakeholder engagement disclose how they engage with their key stakeholders, the issues they discuss and the outcome of the engagement. The example from Associated British Ports paints a clear picture of how this company engages with their suppliers and the actions that have been taken as a result.

**Boards could consider the following questions to report meaningfully on outcomes of engaging with their stakeholders:**

- What issues were raised during engagement with different stakeholder groups?
- What decisions or actions were taken during the year to address these issues?
- Are there any milestones that the board expect to achieve in the upcoming year to work towards an outcome?
- If the outcome has been achieved, have the actions of the board had the intended impact to address the issues raised by stakeholders?

For further analysis and examples of effective stakeholder engagement reporting, please refer to our reviews published in 2022 and 2024.

## Cross referencing

The majority of companies that report against the Wates Principles are also required to provide a section 172 statement. Cross referencing between these disclosures is encouraged to enhance transparency and reduce duplication. The Wates Principles are not intended to add unnecessary length to the annual report and companies should consider how they can refer to their section 172 statement to explain how they have applied Principle Six.

A generic reference to the section 172 statement within the strategic report is unlikely to meet the spirit of Principle Six. Companies that report the most effectively on stakeholder engagement explicitly reference relevant parts of their section 172 statement and outline specific board decisions made during the reporting year, together with their outcomes.

An example of effective reporting can be seen in the Wates Group approach. They refer to their section 172 report and note the relevant page numbers of their strategic report. In addition, they highlight some developments that are specific to the reporting year, making their report time-relevant and specific. For more information on how to cross reference effectively, please see the FRC's guidance on the strategic report.

# 7. Conclusion

We are pleased to see that companies are continuing to engage with the Wates Principles, and we have seen excellent examples of reporting against specific provisions. This document is designed to help companies in the next reporting year to think more widely about the Principles and the governance that they support. There is no one way to do governance, it will always be a function of the way the board is led and the company's culture, reflecting the maturity of the company – and to some extent the sector it operates within. We encourage companies to be transparent and bold in their reporting which will build trust with their stakeholders and lead to more successful organisations.

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