



Department  
for Business  
Innovation & Skills

**The Non-Financial Reporting  
Directive**

A call for views on effective  
reporting alongside proposals to  
implement EU requirements

FEBRUARY 2016

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# The Non-Financial Reporting Directive

Agreement has been reached on a new set of measures to harmonise the “non-financial” information that companies need to disclose. The “Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups” came into force on 6 December 2014.

Member States have two years to transpose it into national legislation. The provisions in the EU Directive will apply to a limited number of European companies’ namely very large listed undertakings. In addition, they may apply to a small number of private companies, because of their business as credit institutions or insurers.

The new package of disclosures broadly reflects the UK narrative reporting framework introduced in October 2013. This consultation will highlight some of the overlaps and similarities.

The first part of this document consults on questions on the approach to implementing the European Directive, with the aim of:

Raising awareness of the requirements in the Directive amongst users and any other relevant stakeholders

Seeking views on the UK plans to transpose this Directive into UK law, including the use of the flexibilities within the Directive.

In the second part of this consultation, we explore whether there is a desire for wider reforms to the scope of narrative reporting by companies in the UK.

This consultation is relevant to all users and preparers of non-financial reports, including shareholders, both institutional and retail, and Civil Society organisations.

Issued: 16 February 2016

Respond by 15 April 2016

Enquiries to:

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## 1. Foreword by Baroness Neville-Rolfe



We should be ever mindful of the important contribution business makes to society by employing people and providing the tax that pays for our hospitals and schools.

Communicating this essential contribution to society is a key part of strengthening trust in UK Business. Our focus, as a Department, is on deregulation and innovation, to free UK firms from unnecessary burdens to help them focus on growing their business.

Annual reports are an important communications channel for businesses to show the company's strategy for ensuring long-term growth, how the company will respond to future customer demands and new market risks and opportunities, and deliver strong returns to investors over the long-term. Good reporting is symptomatic of a company that has strong governance.

The UK is a world-leader in reporting and governance. These EU reforms, which closely mirror the current UK framework, represent a set of pragmatic proposals that will drive up the quality of reporting by companies across member states to that of the best, many of which have incorporated in the UK.

Our focus, as a Department, is on deregulation and innovation, to free UK firms from unnecessary burdens to help them focus on growing their business. I want to implement this directive without unnecessary burdens to business and would like to seek your views on how we can use the flexibilities in the directive to benefit companies and investors.

I am aware that this Directive may have cost implications for companies in scope. I want to make sure that we have a full understanding of the costs and benefits that the Directive will bring companies, investors and other users of non-financial reporting.

I also want to use this opportunity to take a wider look at narrative reporting, especially where we can make life easier on business. I am keen to see how we can use technology better, to present non-financial information that is right for a fast moving, digital economy.

I would encourage all users of non-financial information to respond to this consultation and I look forward to receiving your comments.

A handwritten signature in cursive script that reads "Lucy Neville-Rolfe".

Baroness Lucy Neville-Rolfe DBE CMG

Parliamentary Under-Secretary of State for the Department for Business, Innovation and Skills. Minister for Intellectual Property

## 2. Executive summary

1. Effective reporting is central to business growth; sound information on the strategic approach, alongside company accounts, will inform decisions made by shareholders, investors, directors and suppliers. Our ambition is to have the best possible structure for narrative reporting that promotes confidence in UK companies. One that will most effectively respond to a fast moving highly developed business economy in a digital age.
2. This document asks for your views on specific elements of non-financial reporting: the regulatory changes necessary to implement Directive 2014/95/EU (referred to in this document as EU NFR Directive)”; how these changes fit with the existing UK requirements; and if there is scope to refine regulation. The document is in two parts: implementation of the EU NFR Directive; and a call for views on options for reforms, including existing regulatory requirements.
3. We do not want to make unwarranted changes, and the focus is to consult on the approach for implementing the new European requirements. It is important, however, to take this opportunity to take a more wide-ranging, strategic, view of the reporting landscape. We will consider any points that arise in responses to questions in Part 2 although action on wider issues may not be taken within the timescale set for the implementation of the Directive.

### The EU NFR Directive

4. The aim of this Directive is to bring the quality of non-financial reporting across the EU up to the high standards exemplified by the best UK companies. The Directive provides for consistency and conformity across Europe in relation to disclosure requirements - providing investors and other stakeholders with a comprehensive picture of a company’s performance.
5. The Directive applies to Large undertakings that are Public Interest Entities (PIEs), that have an average of 500 employees over its financial year and that:
  - issues transferable securities that are admitted to trading on a regulated market in the EU;
  - is a credit institution (a bank or building society, though not a credit union);
  - is an insurance undertaking; or,
  - is designated by a Member State as a public interest entity (for instance because of its business, size, or the number of its employees).
6. The Directive also lays out similar provisions for a PIE that is the parent undertaking of a large group of companies that, on a consolidated basis, exceed an average of 500 employees during the financial year.
7. There are a number of similarities and differences between the current UK framework and the requirements in the EU NFR Directive.

### The Consultation

8. The Consultation will start on 16 February and run for 8 weeks.

9. The UK must transpose the provisions in the Directive into UK law by 6 December 2016, with a view applying these regulations to reporting years beginning on or after 1st January 2017.
10. Member states may allow companies to meet the new non-financial reporting requirements either in their Annual Report and Accounts or in a separate non-financial statement. We would like to explore stakeholders' views on the flexibility that this option presents.
11. During its lifecycle a company may increase or decrease in size, consequently it may move in and out of the scope of the Directive. We would be interested in stakeholders' views on, whether this could be problematic and explore viable options.

## Call for Views

12. We are also seeking views on a number of topics that fall outside of the government's transposition of the Directive.
13. We are interested in views on presenting the annual report and accounts as an electronic document. A key part of developing this area will be current practice in electronic reporting and what, if any, further protections are required should companies choose this option.
14. The Government is committed to reduce unnecessary regulations and burdens. We are seeking views and suggestions on any existing reporting requirements, which over time may have become redundant or obsolete.

## Impact of changes

15. In addition, and as part of our wider commitment to ensure accurate impact assessments, we are also interested in clearly identifying the costs and benefits of reporting in general and specifically any costs that companies may incur and benefits that companies and users may get by implementing the EU NFR Directive.

### 3. How to respond

When responding please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation form and, where applicable, how the views of members were assembled.

The consultation response form is available electronically on the consultation page: <https://www.gov.uk/government/consultations/non-financial-reporting-directive-uk-implementation> (until the consultation closes).

The form can be submitted online/by email or by letter to:

Mark Jackson  
Business Environment  
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Third Floor  
Piccadilly Gate  
Store Street  
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M1 2WD

020 7215 0352

[mark.jackson@bis.gsi.gov.uk](mailto:mark.jackson@bis.gsi.gov.uk)

A list of those organisations and individuals consulted is in Annex C. We would welcome suggestions of others who may wish to be involved in this consultation process.

You may make printed copies of this document without seeking permission.

Other versions of the document in Braille, other languages or audio-cassette are available on request.

### Confidentiality and Data Protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). There is also a statutory Code of Practice issued under section 45 of the FOIA with which public authorities must comply and which deals, amongst other things, with obligations of confidence

If you want information, including personal data, that you provide to be treated in confidence, please explain to us what information you would like to be treated as confidential and why you regard the information as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances.



An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

## Help with queries

Questions about the policy issues raised in the document can be addressed to:

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Email: [mark.Jackson@bis.gsi.gov.uk](mailto:mark.Jackson@bis.gsi.gov.uk)

The consultation principles are in Annex A.

## 6. The proposals

### Part 1- Implementation of the Directive

#### The proposals

##### State of play – the UK framework<sup>1</sup>

16. The Annual report and Accounts are a key information source for shareholders and investors to understand how the companies they own are performing. We want to ensure that shareholders and investors have sufficient information to be active stewards of the companies they own.
17. Effective reporting is an essential element to allow companies to grow. Our ambition is to have the best possible narrative-reporting framework to promote confidence in UK business, attract long-term investment and bring economic success for all parts of the United Kingdom. One that will most effectively respond to a fast moving highly developed business economy in a digital age.
18. Companies have already recognised the need to communicate a coherent story to both internal and external stakeholders and to provide a strong medium to gain internal consensus and align company behaviour.<sup>2</sup> In 2013 the Government introduced Regulations<sup>3</sup> that require companies to produce:
  - a concise Strategic Report, that should include the high-level information, that shareholders need to gain an immediate understanding of the business; and
  - a simplified Directors' Report
19. These Regulations were aimed at simplifying and restructuring companies' narrative reports to provide shareholders with a concise, accessible overview of the company they own.

##### The Directive (2014/95/EU)

20. The European Commission has also recognised the importance of non-financial reporting as a key driver for company success. The aim of the Directive is to bring up the quality of non-financial reporting to high standards exemplified by the best UK companies. The creation of a sufficient level of comparability in terms of company disclosure of non-financial information will meet the needs of investors and stakeholders as well as provide consumers with easy access to information on the impact of businesses on society.<sup>4</sup>
21. The European Commission impact assessment indicates that only 2,500 of large companies in the EU currently prepare some form of separate non-financial report. The majority of these companies are in those member states with high-quality

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<sup>1</sup> Part 15, Chapter 4A of the Companies Act 2006

<sup>2</sup> [http://www.black-sunplc.com/files/2015/2015\\_black-sun\\_the-complete-100\\_living-the-story.pdf](http://www.black-sunplc.com/files/2015/2015_black-sun_the-complete-100_living-the-story.pdf) .p6

<sup>3</sup> Available at : <http://www.legislation.gov.uk/ukxi/2013/1970/contents/made>

<sup>4</sup> See, for example, recital 3 to Directive 2014/95/EU

- corporate governance frameworks, such as the UK.<sup>5</sup> This implies that 42,000 (i.e. 94%) of large EU companies do not disclose non-financial information.
22. In terms of the quality of the information presented, a report by UNCTAD in 2010<sup>6</sup> found that there were inconsistencies in the presentation of this information. The Commission argue that these inconsistencies hamper comparability.
  23. The European Commission believes that the poor levels of disclosures are making it difficult for companies to attract inward investment, thus growing their business, and for investors to have good comparators between companies across the EU.
  24. Following adoption in October 2014, the Directive was published on 15 November 2014 in the Official Journal under the title "Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups"<sup>7</sup>.
  25. The disclosure requirements in the EU NFR Directive build upon those introduced by the EU Accounting Directive (2013/34/EU) by amending that Directive. The Companies Partnerships and Groups (Accounts and Reports) Regulations 2015 implemented the EU Accounting Directive in the UK<sup>8</sup>.
  26. The UK is required to transpose the EU NFR Directive into national law by 6 December 2016, to apply to financial years starting on or after 1 January 2017.

## Aims of the consultation

27. The primary aim of this consultation is to seek views on the UK's work to transpose the requirements of the EU NFR Directive into the UK reporting framework.
28. However, we do want to take the opportunity to take a wider, strategic look at reporting in the UK and we will use the responses to inform any future refinements that we may need to make. We will consider all views but these may not lead to any action in the timescale of the transposition of the Directive.

## Scope of the EU NFR

29. The EU NFR Directive applies to Public Interest Entities (PIE)<sup>9</sup>. Article 2 of the EU Accounting Directive introduced the definition of "public interest entity"; the primary restrictions in relation to public-interest entities are implemented at sections 384 and 467 of the Companies Act 2006.
30. PIE's which are parent undertakings of a large group exceeding on their balance sheet dates, on a consolidated basis, the criterion of the average number of 500 employees during the financial year must provide the information required by the Directive on a consolidated basis.

<sup>5</sup> The EU NFR Impact assessment P10 : Available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013SC0127>

<sup>6</sup> Investment and Enterprise Responsibility Review: Analysis of investor and enterprise policies on corporate Social responsibility". Available at [http://www.unctad.org/en/docs/diaeed20101\\_en.pdf](http://www.unctad.org/en/docs/diaeed20101_en.pdf)

<sup>7</sup> Available at [http://eurlex.europa.eu/legalcontent/EN/TXT/PDF/?uri=OJ:JOL\\_2014\\_330\\_R\\_0001&from=EN](http://eurlex.europa.eu/legalcontent/EN/TXT/PDF/?uri=OJ:JOL_2014_330_R_0001&from=EN)

<sup>8</sup> Available at : <http://www.legislation.gov.uk/ukdsi/2015/9780111127896/contents>

<sup>9</sup> 'Public-interest entities' means undertakings which are: (a) governed by the law of a Member State and whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point (14) of Article 4(1) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments; (b) credit institutions as defined in point (1) of Article 4 of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions, other than those referred to in Article 2 of that Directive; (c) insurance undertakings within the meaning of Article 2(1) of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts of insurance undertakings; or (d) designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees.

## Content of the EU NFR

31. Articles 19A and 29a of the Accounting Directive (which are inserted by article 1 of the EU NFR Directive) will require companies or groups in scope to include in the management report a non-financial statement containing information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters including a brief description of :
- Their business model
  - Information on their policies for the areas listed above including any implemented due diligence processes
  - The outcome of these policies
  - The principal risks related to these matters linked to the company's operations, including, where relevant and proportionate, its business relationships, products and services which are likely to cause adverse impacts in those areas and how the company manages these risks
  - Any relevant non-financial key performance indicators
32. Similar to the Strategic Report requirements in the CA 2006, companies may choose not to disclose information relating to impending developments or matters in negotiation if deemed seriously prejudicial to the commercial position of the company. This omission should not prevent a fair and balanced understanding of the undertaking's development, performance, position and impact of its activity.

## Scope of the Existing UK Reporting Requirements and the EU NFR

33. The current UK Strategic Report requirements that are similar to those in the Directive mostly apply to quoted companies, as defined in section 385 of the CA 2006.
34. The scope of the EU NFR Directive means there will be a small number of unquoted companies that are within the definition of a PIE. They will be subject to the EU NFR Directive if they are large undertakings, within the definition of a PIE and have over 500 employees on average over the financial year. As a result, these PIEs will need to prepare a report in accordance with the EU NFR Directive requirements.
35. In addition, a number of smaller quoted companies (as defined in section 385 of the Companies Act 2006) that are subject to the CA 2006 Strategic Report requirements will not be within the scope of the reporting requirements introduced into the Accounting Directive by article 1 of the EU NFR Directive.

## Key Differences between the UK and EU disclosure frameworks

36. The EU framework is broadly similar to the current UK framework as laid out by the Companies Act 2006. However, some key differences are discussed below.

37. The UK framework requires quoted companies to include to the extent necessary for an understanding of the development, performance or position of the company's business, information on environmental, social and community, employee and human rights matters.

### Subject matter of disclosure

38. The EU NFR Directive requires disclosure (to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity): relating to (as a minimum) environmental, social and employee matters; respect for human rights and anti-corruption and bribery matters.

### Disclosure on Risk

39. Both the Accounting Directive/EU NFR Directive and the UK Strategic Report provisions require a description of the principal risks and uncertainties facing the business. This requirement obliges a company to consider all of the principal risks.
40. In addition, the CA 2006 requires quoted companies to disclose the main trends and factors likely to affect the future development, performance and position of the company's business.
41. The EU NFR Directive requires that the non-financial statement discloses the principal risks linked to the company's operations. This should include, "where relevant and proportionate, its business relationships, products or services, which are likely to cause adverse impacts in those areas and how the [company] manages those risks"<sup>10</sup> ...

### Citing national, EU or international frameworks

42. The Directive requires that companies, which choose to use a recognised international framework to prepare their non-financial statement (including consolidated reports); will be required to disclose which framework they have chosen to use.

### Diversity

43. All large PIES that are traded companies<sup>11</sup> will be required to disclose their diversity policy, as part of their corporate governance statement required by Article 20 of the Accounting Directive, as amended by the EU NFR Directive. This must describe the diversity about aspects such as, for instance, age, gender, or educational and professional backgrounds, the objectives of the policy, how it has been implemented and the results in the reporting period.
44. The table below provides a more detailed comparison of the differences between the current UK framework and the EU NFR Directive.

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<sup>10</sup> Article 19a(1)(d) of the Accounts Directive, inserted by article 1(1) of the EU NFD

<sup>11</sup> 12 see article 20(1) of Directive 2013/34/EU

Requirement	UK Framework (Companies Act 2006)	Accounting Directive, as amended by EU NFR
Requirement to produce a non-financial statement, including non-financial key performance indicators (KPIs)	Sections 414C(7)(b) and (4)(b) of the CA 2006	Large PIEs must include a non-financial statement, including non-financial KPIs (A19a(1) and A29a(1)) of the Accounting Directive, inserted by Article 1(1) of the EU NFR Directive)
Purpose	To inform members of the company and help them how the assess directors have performed there with duty to promote the success of the company (section 414C(1))	A statement containing information to the extent necessary for an understanding of company's development, performance, position and the impact of its activity matters (A19a(1) and A29a(1))
Scope of what should be disclosed	A fair review of the company's business and a description of principal risks and uncertainties (sections 414C(2) and (3))	Information relating to at least environmental, social and employee matters, respect for human rights and anti-corruption and bribery matters (A19a(1) and A29a(1))
Information to include	<p>Analysis using financial and other KPIs (section 414C(4) to (6))</p> <p>For quoted companies –</p> <p>(a) main trends and factors likely to affect the future development, performance and position of the company's business (section 414C((7)(a);</p> <p>(b) information about environmental matters (including the impact of the company's business on the environment) the company's employees and social, community and human rights issues business (section</p>	<p>(a) A brief description of the undertaking's business model (article 19a(1)(a)/article 29a(1)(a));</p> <p>(b) Policies, including due diligence processes implemented and the outcome of those policies (article 19a(1)(b) and (c) /article 29a(1)(b) and (c));</p> <p>(c) the principal risks related to those matters linked to the company's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas and how the company manages those risks (article 19a(1)(d)/article 29(1)(d));</p>

Requirement	UK Framework (Companies Act 2006)	Accounting Directive, as amended by EU NFR
	414C(7)(b));  (c) company strategy (section 414C(8)(a));  (d) business model (section 414C(8)(b));  (e) diversity information (sections (414C(8)(c) and 414C(9)).	(d) non-financial KPIs relevant to the particular business (article 19a(1)(e)/article 29a(1)(e)).
Test for disclosure	Information “to the extent necessary for an understanding of the development, performance or position of the company’s business” (sections 414C(4) and (7))	Information “to the extent necessary for an understanding of the undertaking’s performance, position and impact of its activity” (article 19a(1)/article 29a(1))
Link to accounting information	The review must where appropriate include references to and additional explanations of the amounts included in the company’s annual accounts (section 414C(12))	The non-financial statement must include references to and explanations of amounts in the financial accounts, where this is appropriate (article 19a(1)/ article 29a(1))
Explanation of omissions	If the report does not contain the non-financial information, it must state that this is the case (section 414C(7))	If the entity does not have a relevant policy, the non-financial statement should explain why (article 19a(1))/article 29a(1))
Reliance on national, EU and international frameworks	N/A	If used in the report, the company must refer to them (article 19a(1))/article 29a(1))
Omission of seriously prejudicial information	No requirement to disclose information about impending developments or matters in the course of negotiation if the disclosure would, in the	Derogation that allows for information on matters subject to negotiation to be omitted in exceptional cases where disclosure would be seriously prejudicial to the

Requirement	UK Framework (Companies Act 2006)	Accounting Directive, as amended by EU NFR
	opinion of the directors, be seriously prejudicial to the interests of the company (section 414C(14))	commercial position of the company. Must not affect the fair and balanced view given by the report and must be signed off by the administrative, management and supervisory bodies (article 19a(1)/ article 29a(1))
Audit requirements	Section 496 CA 2006 (as amended by S.I. 2015/980, regulation 11)	Member to ensure that auditor checks whether the non-financial statement or separate report has been provided (article 19a(5)/article 29a(5))  The audit requirements in article 34 of the Accounting Directive are dis-applied from the NFR or statement (article 1(5))
Verification	N/A	Member states can require information in the NFS to be verified by an independent assurance services provider (article 1(6))

## Positioning the non-financial statement

### Location of information

45. The current UK framework for non-financial (narrative) reporting, which complements companies' annual accounts, consists of the Strategic Report and Directors' Report. The intent behind this was to create a framework that distilled the important messages into two reports, bringing the framework in line with business best practice.
46. We intended the Strategic Report to be the top stratum of the information and that companies would provide other information, either to fulfil a regulatory requirement or to enhance the understanding of the business in the Directors' report.



47. The Government and the Financial Reporting Council (FRC)<sup>12</sup> encouraged companies to innovate with the placement of information, within the bounds of the CA 2006, to make the Strategic Report a concise document. Complementary information<sup>13</sup> could be placed in either the Directors' Report or elsewhere, on the company website for example, with the Strategic or Directors' Report containing a link to this information. The intent here was to ensure that the Annual report and Accounts contains the most relevant information.
48. The EU NFR Directive contains an option for member states to allow companies, either to include the new disclosures in the management report (which in the UK will be the strategic report), or to prepare a separate report containing non-financial information. The Government would like to explore the possibilities that a separate report may allow.
49. The EU NFR Directive establishes that the information required by articles 19a (1) and 29a (1) of the EU Accounting Directive, referred to as a 'non-financial statement', shall be provided as part of the management report. In the UK, the current management report requirements have been reflected in regulations as part of the Strategic Report and accordingly form part of Annual report and Accounts.
50. The EU NFR Directive enables Member States to allow companies to comply with the requirements for the non-financial statement by preparing a separate report. The EU NFR Directive requires companies to publish the separate report either:
- together with the 'management report', i.e. within the strategic report
- or
- '...by making it publicly available within a reasonable period of time, not exceeding six months after the balance sheet date, on the undertaking's website. If this option is used it must be referred to in the management report'.<sup>14</sup>
51. The Government would like to ask for views on whether the UK should take advantage of this option to allow companies to use the separate report as a vehicle for disclosure of non-financial information.
52. In previous consultations and discussions with business, one of the messages we have heard is the resource pressure placed on companies in having to prepare and publish their non-financial information to the same deadline as their financial statements. To alleviate the resource pressure the government would like to ask if the separate report published to a different deadline but in line with the requirements of the Directive would be helpful.

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<sup>12</sup> For more information on the FRC : <https://www.frc.org.uk/Our-Work/Codes-Standards/Accounting-and-Reporting-Policy/Clear-and-Concise-Reporting/Narrative-Reporting/Guidance-on-the-Strategic-Report.aspx>

<sup>13</sup> Complementary information that is not required to be included in the annual report (i.e. it is voluntary), but which the directors wish to place in the public domain, should generally be published separately (e.g. on the company website).

<sup>14</sup> The EU NFR will insert these requirements into the EU Accounting Directive 2013/34/EU as Article 19a 4 (b) (for a company non-financial statement) and Article 29a 4(b) (for a consolidated non-financial statement).

53. We are eager to seek views from companies, investors and other users of non-financial information on the expected impact of the use of a separate report for non-financial information.

## Location of Information

### Q1) Flexibility on where to provide the non-financial statement:

What is your view on permitting companies flexibility to place information where they feel most appropriate within the boundaries laid out by the EU NFR Directive? Please explain your reasons.

### Q2) Information that could be placed in a Separate Report

We would welcome suggestions for information, currently required by law that could be placed in the separate report

### Q3) Advantages and Disadvantages of a separate non-financial statement:

What do you see as the advantages and disadvantages, for your organisation of the separate statement?

## Implementation options

54. The EU NFR Directive amends the EU Accounting Directive (2013/34/EU), which was implemented in the UK by the Companies Partnerships and Groups (Accounts and Reports) Regulations 2015 (S.I. 2015/980). These Regulations came into force on 6 April 2015.

55. The EU NFR Directive adds enhanced reporting requirements for large PIEs (that is large undertakings that are PIEs and that have an average number of 500 employees during the financial year). The UK has a number of options to consider when implementing this Directive. These are:

**Option 1: To update the existing UK reporting framework to reflect the new disclosure the Directive for large PIEs that introduces requirements.**

**Option 2: Reduce the scope of the existing UK reporting requirements relating to Non-financial reporting for all quoted companies and limit it to those required by the EU NFR Directive (i.e. generally moving from quoted companies to large PIEs only).**

These options are discussed in more detail below.

**Option 1: Separate requirements for large PIEs within scope of the EU NFR Directive and for quoted companies within scope of the UK CA 2006 requirements (option 2 in the impact assessment)**

- This option would implement the requirements within the current UK reporting structure of the Strategic Report, by amending the current requirements to introduce the Directive requirements for companies, which fall within its scope.
- This amendment would only apply to Large PIEs that have an average of 500 employees or more during the financial year that fall within the scope of the EU NFR Directive.
- For a quoted company or group currently required to prepare a strategic report, the requirements of article 19a/29a of the Accounting Directive that are introduced by EU NFR Directive will replace the obligations in section 414C(4)(b), 414C(7) and 414C(8)(c) of the CA 2006. Large PIEs that are not currently required to file a Strategic Report will be required to do so if they fall within the scope of the obligations introduced by the EU NFR Directive. The existing requirements would continue to apply to quoted companies, which are not within the scope of the Directive.
- Applying this option may result in the content of the annual report and accounts differing for a company. For example, in one year it may be subject to the Requirements of the EU NFR Directive (as transposed into UK Law) and the following year, because of a drop in the average number of employees, subject to the existing requirements in the Companies Act 2006.
- Having two reporting regimens may create complexity for larger companies outside the scope of the directive. We would like to seek suggestions as to how best to address this.

**Option 2 : Ensure Strategic Report requirements only apply to companies within the scope of Article 19a and 29a of the EU Accounting Directive (as amended by the EU NFR Directive) (Option 4 in the IA)**

- This option would amend the existing requirements in respect of non-financial reporting in the Strategic Report so that they are consistent with the EU Accounting Directive requirements (including the new articles 19a and 29a). These requirements will be limited so that they only apply to companies within the scope of the Directive. This would effectively repeal the current UK requirements for quoted companies outside the scope of Articles 19a and 29a.

## Scope

### Q4) Advantages and disadvantages.

What do you see as the advantages and disadvantages of the various implementation options?

### Q5) Preferred option relating to scope

Considering the possible advantages and disadvantages provided by the flexibilities contained within the EU NFR Directive, which would be your preferred option in terms of which companies should be required to disclose non-financial information?

**Q6) Alternative Options**

Are there any other options for implementing the EU NFR Directive the Government should consider?

**Validation of non-financial information**

56. The UK Government understands that many companies have internal processes for validating the non-financial information contained in their Annual Report. However, the EU NFR Directive allows Member States to require that the non-financial statement be ‘verified by an independent assurance services provider’.<sup>15</sup>
57. Obtaining independent verification on non-financial information incurs additional costs for companies, and providing information on the type and level of assurance obtained may add burdens, both in terms of money and time, to compiling an annual report. It is therefore important to focus additional assurance on areas that are of value to investors.
58. We are keen to seek views on the effect and impact of requiring companies to verify the information in their annual report.

**Validation of non-financial information****Q7) Assurance of Non-Financial Information**

Should the Government require that the non-financial statement be verified by an independent assurance service provider’?

**Q8) Advantages and Disadvantages of third-party validation**

What do you see as the advantages and disadvantages of requesting third party assurance?

**Q9) Other Options**

Are there any other options the Government should consider for Third Party Verification?

**Amendment to the Corporate Governance Statement – diversity disclosure**

59. EU Accounting Directive contains requirements, also in the Fourth Company Law Directive<sup>16</sup>, for companies to produce a corporate governance statement. This is implemented in the UK by DTR 7.2.1R to DTR 7.2.11R in the Disclosure Rules and Transparency Rules Source Book of the FCA handbook. The obligation does not apply to small and medium sized undertakings.
60. Article 1(2) of the EU NFR amends article 20 by inserting a requirement for a statement on diversity. This statement must include “a description of the diversity policy applied in relation to the company’s administrative, management and supervisory bodies with regard to aspects such as age, gender or educational and

<sup>15</sup> The EU NFR will insert these requirements into the EU Accounting Directive 2013/34/EU as Article 19a (6) (for a company non-financial statement) and 29a (6) (for a consolidated non-financial statement).

<sup>16</sup> Available at <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=URISERV:l26009&from=EN>

professional backgrounds, the objectives of that diversity policy how it has been implemented and the results in the reporting period.”

61. If no such policy is applied, the statement must contain an explanation as to why this is the case.

## Part 2 Call for Views

### Wider Reporting

62. In this part of the document, we are seeking views on, and suggestions for improving, the regulatory framework more widely, particularly if there is scope for deregulation.

### Electronic reporting

63. The EU Directive gives companies the flexibility to place their separate non-financial statement on the company’s website and the government is keen to explore the possibilities that this presents. We are also mindful that legislative protections may need to be in place for this to be an option that companies, investors and other users of non-financial information may consider. These protections could include ensuring that the boundary of the report is clear and that it applies to a defined time and not subject to change.
64. There is no specific requirement within the EU NFR to make the non-financial statement available as a printed document. The UK Government would like to ask all users of non-financial information if receiving non-financial information in solely electronic format, for example via a company’s website, would be beneficial or raise concerns. We would also like to seek the views from companies as to whether presenting a separate report in solely electronic form on a company’s website would be beneficial.
65. The Companies Act 2006 contains some provisions to deal with the notification, authentication and distribution of electronic information. These provisions guide companies in the correct method for notifying and delivering electronic information to recipients. However, we understand that a number of companies may already provide some form of electronic report. We would be interested if this is the full annual report or a separate report containing, for example, information on corporate and social responsibility (CSR).
66. The Directive allows companies to publish a separate non-financial statement up to 6 months after the end of the company’s financial year, but with a reference in the Management Report. We would be interested in companies that already provide some form of separate report as to when they publish this information in relation to the end of their financial year.
67. The Government would like to ask for views on whether the UK should take advantage of this option for companies to provide their separate non-financial statement via a company’s website. We would also like to seek views on any additional legislative protections that might be required with the provision of the non-financial statement electronically via a company’s website. The Companies Act 2006 provides for the delivery of information electronically and when this is deemed to have occurred.
68. Finally, we are interested in the number of companies that currently send their reports electronically, for example as a PDF file. We realise that companies may

not have accurate figures for the number of recipients for the electronic version of the annual report. We would therefore like to ask if companies could provide a percentage figure for shareholders who receive a printed copy of the annual report or the number of hard copies sent.

## **Electronic Reporting**

### **Q10) Advantages and Disadvantages**

What do you see as the advantages and disadvantages of preparing or receiving the non-financial statement electronically via a company's website?

### **Q11) Additional Protections**

Considering your response to Q7, are there any additional protections that the government should consider?

### **Q12) Number of Companies Providing an Electronic Report**

We are interested in the number of companies that currently send their annual report electronically. Considering your shareholders, how many, as a percentage, opt to receive their annual report as a printed copy?

## **Regulatory Reforms**

### **Gender reporting**

69. The CA 2006 requires companies to provide numerical disclosures on gender diversity, split by directors, senior managers and employees.
70. These regulations defined senior manager as "a person who has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company". We have received feedback that the definition of "senior manager" as laid out in has proved challenging companies to comply with for many reasons.
71. The intent behind this regulation was to show the gender composition of the talent pipeline. The government is minded to retain this regulation but would like improve the definition for "senior manager" that may better describe this stratum in the company.
72. We have received feedback that the definition of "senior manager" as laid out in the Regulation has proved a challenge for companies to comply with for many reasons. We would welcome suggestions as to how to improve this regulation.

### **Gender Reporting**

#### **Q13) Definition of Senior Manager**

BIS would welcome suggestions as to how this definition may be improved to reflect better the intention of this requirement.

#### **Q14) Other Comments on this requirement**

BIS would also welcome other comments on this regulation including views on the approach suggested

### **Greenhouse Gas Emissions Reporting**

73. The 2013 regulations also introduced a requirement for quoted companies to report on their Greenhouse Gas Emissions. Companies are required to disclose the amount, in tonnes of carbon dioxide, from activities for which that company is responsible including—
- the combustion of fuel; and
  - the operation of any facility.
74. The report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, and steam or cooling by the company for its own use.
75. The EU NFR Directive does not require companies in scope to report this information although they will be required to supply information on environmental matters which may contain information on the use of renewable and non-renewable energy and greenhouse gas emissions.
76. On 28 September 2015 the Government published a consultation on proposals to simplify and improve the effectiveness of the business energy efficiency tax landscape. The consultation considers the Climate Change Levy (CCL), Carbon Reduction Commitment energy efficiency scheme and their interaction with other business energy efficiency policies and regulations, such as reporting schemes including Greenhouse Gas Emissions reporting. This consultation closed on 9 November.
77. The government is carefully considering all responses submitted, and is likely to publish its formal response at Budget 2016. Depending on the outcome of this consultation, the government will follow up with more detailed consultation on policy design and implementation.

### **Other regulatory reforms**

78. The Government is interested in hearing about UK and EU reporting requirements that are no longer “fit for purpose” or no longer produce any meaningful disclosure. This will help us to cut “red tape” freeing business from unnecessary reporting.
79. In previous consultations, we have asked for suggestions of reporting regulations that no longer produced useful disclosure. These are shown in the table below. Where the requirements implement EU law, they can only be removed or altered if this is consistent with EU law:



Reporting regulations that could be repealed			
Regulation	Reason for Consideration	Origin	In UK Law
Director's report requirements  Rules about appointment and replacement of directors and amendment of articles	Summary of company articles	Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) Sch 7 PART 6 para 13 (2) (h)	Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410)Sch 7 part 6 para 13 (2)(h)
Powers to issue or "buy back" shares	Summary of company articles	Large and Medium Accounts 2008 Sch 7 para 13(2)(i)	Large and Medium Accounts 2008 Sch 7 para 13(2)(i)
Disclosure of indemnification arrangements	Static information	Companies Act 2006 s236	Companies Act 2006 s236
Agreements affected by change of control	Already in the Articles of Association	Large and Medium Accounts 2008 Sch 7 Part 6 para 13(2)(j)	Large and Medium Accounts 2008 Sch 7 Part 6 para 13(2)(j)
Information on Voting Structure	reiteration of articles of association	EC Takeovers Directive Art 10 1(a)	Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410)Sch 7 Part 6 para 13 (2) (a) (b) (f)
Policy on Employment of Disabled Persons	Could be removed as result of implementation of article 20(1)(g) of the Accounting Directive, as amended by the EU NFR Directive	Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) Part 3	Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) Sch 7 Part 3

## Reporting Regulations

### Q15) Reporting Regulations

What other reporting regulations would you suggest that could be repealed?

### Q16) Other Information

Is there any information that could be moved outside the Annual Report?



## Costs

80. We are also interested in the cost of preparing an annual report. In previous consultations, we have asked for the cost of complying with the regulations. We are aware that companies may not account for the preparation of their annual report in this way.

81. Therefore, we would like to ask companies how many staff are involved in the preparation of their annual report and if it would be possible for companies to give us an indication of their level within the company, for example:

Directors and chief executives
Lawyers
Accountants
Other Professional occupations (Please Specify)
Managers and Senior Officials
Administrative and secretarial occupations

82. We would also be grateful if you could give us an indication of how long the various levels spend in the preparation of the annual report. An initial, consultation-stage Impact Assessment of the UK implementation of the EU NFR Directive has been completed and published alongside this consultation

83. We welcome views on the analysis of costs and benefits in the Impact Assessment, to allow the estimates to be refined. We would like to hear from PIEs, their subsidiaries, non-governmental organisations (NGOs) and investors (or investor representative bodies).

### Q17) Analysis of the Costs and Benefits of implementing the NFR Directive

Type of Organisation

**Q17a) Are you a company (not a PIE), a company which is a PIE (as described in para 2.6), an NGO, institutional investor or other type of organisation? If you are a PIE please specify whether you are a parent company or a subsidiary company.**

#### Costs

When considering your answers, we would very much appreciate information on any costs you will incur because of the proposals for implementing the EU NFR Directive; both in terms of money and time (e.g. describe which type of staff will be involved, for how long). We would appreciate any information on new systems or practices your organisation may adopt, or existing processes that may change, because of the Directive.

**Q17b ) Do you expect to incur any “one off “or “ongoing costs” as a result of having to comply with the requirements of the EU NFR Directive over and above what you incur currently on your non-financial reporting obligations? Please describe these costs. (One off costs could include staff time to familiarise your organisation with the regulations or updating of internal guidance for staff; on-going costs could include additional time to review non-financial data in each year subsequent to first year)**

**Q17c) How would your costs change if you were allowed to provide your non-financial statement separately within six months of the balance sheet date on your financial report?’**

**Q17d) How would your costs change if you were allowed to provide this report electronically on your website and did not have the obligation to provide hard copies except in exceptional circumstances?’**

**Q17e) What additional costs would you expect if the government required that an independent assurance services provider verify the non-financial statement? This may be in terms of money or resources costs such as staff time.’**

Benefits to your company of the EU NFR Directive?

**Q17f) Please describe any benefits to your company you expect will arise because of the EU NFR Directive (to your organisation or more widely).**

#### **Any Other Comments**

**Q17g) Do you have any other comments about the costs and benefits that will result from the EU NFR Directive?**

If you are happy for BIS officials contact you with further questions about the impact of the EU NFR directive, please provide your contact details.

#### **Additional Comments**

**Q18) Additional Comments on the Directive**

Are there any additional comments that you would wish to make on this Directive

## **Guidance**

84. High quality guidance is an important driver of the quality of company reporting. It can help companies in the vanguard of non-financial reporting to innovate and experiment with their reporting, while helping those whose thinking is less developed with the certainty that they are meeting the legislative requirements. The Financial Reporting Council (FRC) produced a strong set of guidance to accompany the introduction of the Strategic Report regulations in October 2013. The government would like to thank the FRC for its work in preparing this guidance.

85. The implementation of the EU proposals may require the FRC to revise this guidance in the light of the requirements of the EU directive. However, as the proposals introduce relatively modest changes to the current UK requirements, we do not expect that this revision will require significant amendments of the current guidance.
86. The UK Government wishes to retain the best elements the current voluntary guidance while revising it, where necessary, to continue to support businesses in preparing high quality non-financial information while giving them the flexibility to prepare annual reports that are right for them and their shareholders.

## What happens next?

This consultation is open for 8 weeks. Responses are requested by 15 April 2016. Please do not hesitate to get in touch if you have considerations you would like to discuss before providing a response.

The comments we receive will inform our approach to implementation of the EU NFR. All comments will be considered. We will also consider views heard during the planning process and any information gathered by other means.

We may also continue to seek views and clarification of issues after the consultation has closed. This will assist us in resolving any outstanding issues and help inform the drafting of the regulations.

## Annex A: Consultation principles

The principles that government departments and other public bodies should adopt for engaging stakeholders when developing policy and legislation are set out in the consultation principles.

[www.gov.uk/government/publications/consultation-principles-guidance](http://www.gov.uk/government/publications/consultation-principles-guidance)

### Comments or complaints on the conduct of this consultation

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

Angela Rabess  
BIS Consultation Co-ordinator  
1 Victoria Street  
London  
SW1H 0ET

Tel: 020 7215 1661

Email: [angela.rabess@bis.gsi.gov.uk](mailto:angela.rabess@bis.gsi.gov.uk)

However if you wish to comment on the specific policy proposals you should contact the policy lead (see page 9, 'Help with queries').

## Annex B: An indicative overview of the UK reporting requirements

This is for information only and no action is required

Legislation	Requirement	Scope	Legislation
Companies Act 2006	To prepare a Strategic Report containing disclosure on:	All Companies excluding Small companies – some provisions only apply to large companies	Companies Act 2006 (as amended by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations (2013))
	Business review must contain :  Fair review of the company's business  Description of the principle risks and uncertainties of the company		
	A balanced and comprehensive review of the, performance and development of the company's business during the financial year  The Position of the company's business at the end of the year		
	The review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include—  (a) analysis using financial key performance indicators, and  (b) where appropriate, analysis using other key performance indicators, including information on the including information relating to environmental and employee matters		
	Disclosure of any qualifying indemnity provision or qualifying pension scheme		

Legislation	Requirement	Scope	Legislation
	<p>indemnity provision that was in force for the directors of the company, persons who were directors of the company, directors of an associate company or persons who were directors of an associate company, when the directors report was approved.</p>		
	<p>Make a statement, for each person who is a director of the company, that at the time the directors report was approved</p> <p style="padding-left: 40px;">as far as the directors were aware there was no relevant information that the company auditor was aware that they have taken all reasonable steps to make themselves aware of any relevant audit information and establish that the company auditor is aware of this.</p>		
	<p>The report must, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts.</p>		
	<p>To the extent necessary for an understanding of the business, main trends and factors likely to affect the future development of the company.</p>		
	<p>Environmental Matters (including the companies impact on the environment)</p>	Quoted companies	
	<p>The companies employee's</p>		
	<p>Social and community and human rights</p>		

Legislation	Requirement	Scope	Legislation
	<p>issues</p> <p>Description of the company's strategy</p> <p>The company's business model</p> <p>A percentage breakdown, by gender, of the board, senior managers and employees as a whole</p>		
	<p>Additional Disclosures</p> <p>Asset values:</p> <p>If, in the case of such of the fixed assets of the company as consist in interests in land, their market value (as at the end of the financial year) differs substantially from the amount at which they are included in the balance sheet, and the difference is, in the directors' opinion, of such significance as to require that the attention of members of the company or of holders of its debentures should be drawn to it, the report must indicate the difference with such degree of precision as is practicable.</p>		The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008
	<p>Political donations and expenditure:</p> <p>If the company has :</p> <p>Made any political donation to any political party or organisation or to an election candidate or incurred political expenditure it must disclose the aggregate amount of all donations and those over £2000. Included in this should be the name of the party or</p>		



Legislation	Requirement	Scope	Legislation
	candidate and the total amount		
	<p>Financial Instruments:</p> <p>In relation to the use of financial instruments by the company , the director's report must indicate:</p> <p>Financial risk management objectives and policies of the company, including hedging each major type of forecasting for which hedge accounting is used.</p> <p>Exposure of the company to price, credit and cash flow risks.</p>		
	<p>Disclosure of employment of disabled persons</p> <p>The company must disclose a statement on employment, training and retention of disabled persons</p>		
	<p>Employee Involvement:</p> <p>If the company has an average of over 250 employees in the Financial year:</p> <p>The company must disclose how it engages and communicates with its employees Encourages employee participation in share schemes etc. Communicate all the financial and economic factors affecting the company.</p>		The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008
	<p>Structure of the company's capital</p> <p>The rights and obligations attached to</p>		

Legislation	Requirement	Scope	Legislation
	<p>shares or class of share.</p> <p>If there are two or more classes of share the percentage total of the share capital for each class.</p> <p>Restrictions on transfers of securities</p> <p>Limitation on holding securities.</p> <p>Requirements to obtain approvals for transfer of securities</p> <p>Significant shareholdings, including the identity of the shareholder, the size of the holding and the nature of the holding</p> <p>Where the securities have special rights with regards to the company</p> <p>The identity of the person and the nature of the rights</p> <p>Where the company has an employee share scheme:</p> <p>The rights attached to these share, the restrictions and limitations on these shares</p> <p>Financial rights attached to these shares</p> <hr/> <p>Company acquiring its own shares</p> <p>The number and nominal value of the shares purchased the aggregate amount purchased and why they were purchased.</p> <hr/> <p>Any rules that the company has on:</p> <p style="padding-left: 40px;">appointment and replacement of directors</p> <p style="padding-left: 40px;">Amendments to the articles of association</p>		

Legislation	Requirement	Scope	Legislation
	<p>Powers of the company's directors , especially in relation to buying back shares</p> <p>Significant arrangements that may change take effect following a takeover bid.</p> <p>Agreements between the company, directors or employees for compensation of loss of office or employment that occurs as a result of a takeover.</p>		
	<p>Misc.:</p> <p>The directors report must contain details on:</p> <p>Any important events that have occurred since the end of the financial year</p> <p>Future developments in the business of the company</p> <p>The activities of the company in R&amp;D (unless the company is unlimited) an indication of branches outside the UK</p>		
	<p>Greenhouse Gas Emissions – information in the Directors' Report</p> <p>The company must report the quantity, in tonnes of carbon; of emissions, it is responsible for including combustion of fuel and the operation of any facility.</p> <p>The report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, and steam or cooling by the company for its own use.</p> <p>Where it is not practical for the company to obtain some or all of that information,</p>	<p>Quoted Companies</p>	<p>Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Strategic Report and Directors' Report) Regulations 2013)</p>

Legislation	Requirement	Scope	Legislation
	<p>the report must state what information is not included and why.</p> <p>The report must state the methodologies used to calculate the information</p> <p>The directors' report must state at least one ratio which expresses the quoted company's annual emissions in relation to a quantifiable factor associated with the company's activities.</p> <p>With the exception of the first year for which the directors' report contains the information required by paragraphs, the report must state not only the information required by paragraphs but also that information as disclosed in the report for the preceding financial year. (to allow comparison)</p> <p>The directors' report must state if the period for which it is reporting the information required by paragraph is different to the period in respect of which the directors' report is prepared.</p>		

## Annex C: List of individuals/organisations consulted

100 group	ICC UK
Aberdeen Assets Management	ICSA
ABI	Investment Association
Addison Group	Investor forum
Association of Chartered Certified Accountants	J P Morgan
Accountants and Auditors	Jupiter Group
Association of Investment Companies	Kingfisher
Althos Ltd	KPMG
Amnesty international	Legal and General
Aviva	Legal and general
Baker Tilly	Lloyds Bank
Barclays	London Stock Exchange
BDO International	M and D
Black Sun	Marks and Spencer
Blackrock	Mazars LLP
BP	Mercer UK
British American Tobacco	MM&K Ltd
British Bankers Association	Morrison
British Telecom	NAPF
Carbon tracker	National Grid
Carillion PLC	Nationwide PLC
Confederation of British Industry	Newton
	Newton Group

Carbon Disclosure Project	Pearson
CenterForum	Premier Farnell
Centrica	Prism Cosec
CFA institute	PriceWaterhouseCoopers
Christian Aid	The Quoted Companies Alliance
CIIA	Radley Yeldar
CIPD	Representative Bodies
Client Earth	Rio Tinto PLC
Clifford chance LLP	Royal Bank of Scotland
CMA	RPMI Ltd.
Companies	J Sainsbury plc
CORE Coalition	Share Action
Deloitte	Shareplan Lawyers Group
Diageo	Royal Dutch Shell plc,
Ernst and Young	Shire PLC
F&C	Smith Nephew
Financial Reporting Council	South Yorkshire Pensions Authority
Friends of the Earth	Standard and Poor
GC100	Standard Life
Grant Thornton LLP	Strategic Planning Society
Hargreaves Lansdowne	Tesco PLC
Hay Group	Trades Union Congress
Hermes Equity	Unilever PLC
IAASB	Unite

ICAEW	Universities Superannuation Scheme
ICAEW	
ICAS	
Investor Relations Society	
Investors	
Institute of Directors	

## Annex D: Non-Financial Reporting Consultation response form

The consultation is available at: <https://www.gov.uk/government/consultations/non-financial-reporting-directive-uk-implementation>

The closing date for responses is 15 April 2016

Please return completed forms to:

Mark Jackson  
Business Environment  
Department for Business, Innovation and Skills  
Third Floor  
Piccadilly Gate  
Store Street  
Manchester  
M1 2WD

Tel: 020 7215 0352:

Email: [mark.jackson@bis.gsi.gov.uk](mailto:mark.jackson@bis.gsi.gov.uk)

Please be aware that we intend to publish all responses to this consultation.

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes. Please see page 9 for further information.

If you want information, including personal data, that you provide to be treated in confidence, please explain to us what information you would like to be treated as confidential and why you regard the information as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

I want my response to be treated as confidential

Comments: [Click here to enter text.](#)



## Questions

Name:

Organisation (if applicable):

Address:

Please tick which best describes your organisation.

	<b>Respondent type</b>
<input type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Central government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Large business (over 250 staff)
<input type="checkbox"/>	Legal representative
<input type="checkbox"/>	Local government
<input type="checkbox"/>	Medium business (50 to 250 staff)
<input type="checkbox"/>	Micro business (up to 9 staff)
<input type="checkbox"/>	Small business (10 to 49 staff)
<input type="checkbox"/>	Trade union or staff association
<input type="checkbox"/>	Other (please describe)

<p><b>Q1) Flexibility on where to provide the non-financial statement:</b></p> <p>What is your view on permitting companies flexibility to place information where they feel most appropriate within the boundaries laid out by the EU NFR Directive? Please explain your reasons.</p>
Comments
<p><b>Q2) Information that could be placed in a Separate Report:</b></p> <p>We would welcome suggestions for information, currently required by law that could be placed in the separate report</p>
Comments
<p><b>Q3) Advantages and Disadvantages of a separate non-financial statement:</b></p> <p>What do you see as the advantages and disadvantages, for your organisation of the separate statement?</p>
Comments
<p><b>Q4) Advantages and disadvantages of the Implementation Options.</b></p> <p>What do you see as the advantages and disadvantages of the various implementation options?</p>
Comments
<p><b>Q5): Preferred option relating to scope</b></p> <p>Considering the possible advantages and disadvantages provided by the flexibilities contained within the EU NFR Directive, which would be your preferred option in terms of which companies should be required to disclose non-financial information?</p>

Comments
<p><b>Q6) Alternative Options</b></p> <p>Are there any other options for implementing the EU NFR Directive the Government should consider?</p>
Comments
<p><b>Q7) Assurance of Non-Financial Information</b></p> <p>Should the Government require that the non-financial statement be verified by an independent assurance service provider'?</p>
Comments
<p><b>Q8) Advantages and Disadvantages of third-party validation</b></p> <p>What do you see as the advantages and disadvantages of requesting third party assurance?</p>
Comments
<p><b>Q9) Other Options</b></p> <p>Are there any other options the Government should consider for Third Party Verification?</p>
Comments
<p><b>Q10) Advantages and Disadvantages</b></p> <p>What do you see as the advantages and disadvantages of preparing or receiving the non-</p>

financial statement electronically via a company's website?
Comments
<p><b>Q11) Additional Protections</b></p> <p>Considering your response to Q7, are there any additional protections that the government should consider?</p>
Comments
<p><b>Q12) Number of Companies Providing an Electronic Report</b></p> <p>We are interested in the number of companies that currently send their annual report electronically. Considering your shareholders, how many, as a percentage, opt to receive their annual report as a printed copy?</p>
Comments
<p><b>Q13) Definition of Senior Manager</b></p> <p>BIS would welcome suggestions as to how this definition may be improved to reflect better the intention of this requirement.</p>
Comments
<p><b>Q14) Other Comments on this requirement</b></p> <p>BIS would also welcome other comments on this regulation including views on the approach suggested</p>
Comments

**Q15) Reporting Regulations**

What other reporting regulations would you suggest that could be repealed?

Comments

**Q16) Other Information**

Is there any information that could be moved outside the Annual Report?

Comments

**Q17) Analysis of the Costs and Benefits of implementing the NFR Directive**

Type of Organisation

**Q17a) Are you a company (not a PIE), a company which is a PIE (as described in para 2.6), an NGO, institutional investor or other type of organisation? If you are a PIE please specify whether you are a parent company or a subsidiary company.**

PIE (Parent)	
PIE (Subsidiary)	
Non-Governmental Organisation	
Institutional Investor	
Other (please specify	

When considering your answers, we would very much appreciate information on any costs you will incur as a result of the proposals for implementing the EU NFR Directive, both in terms of money and time (e.g. describe which type of staff will be involved, for how long). We would appreciate any information on new systems or practices your organisation may adopt, or existing processes that may change, because of the Directive.

**Q17b ) Do you expect to incur any “one off “or “ongoing costs” as a result of having**

**to comply with the requirements of the EU NFR Directive over and above what you incur currently on your non-financial reporting obligations? Please describe these costs. (One off costs could include staff time to familiarise your organisation with the regulations or updating of internal guidance for staff; on-going costs could include additional time to review non-financial data in each year subsequent to first year)**

**Q18c) How would your costs change if you were allowed to provide your non-financial statement separately within six months of the balance sheet date on your financial report?’**

**Q18d) How would your costs change if you were allowed to provide this report electronically on your website and did not have the obligation to provide hard copies except in exceptional circumstances?’**

**Q18e) What additional costs would you expect if the government required that an independent assurance services provider verify the non-financial statement? This may be in terms of money or resources costs such as staff time.’**

Benefits to your company of the EU NFR Directive?

**Q18f) Please describe any benefits to your company you expect will arise because of the EU NFR Directive (to your organisation or more widely).**

If you are happy for BIS officials contact you with further questions about the impact of the EU NFR directive, please provide your contact details.

Comments

**Q18g) Any Other Comments**

Do you have any other comments about the costs and benefits that will result from the EU NFR Directive?

Comments

**Q19) Additional Comments**

Do you have any additional comments on this directive

Comments

## Workshops

BIS also intends to hold a series of workshops to discuss the issues in this consultation in more depth. We anticipate holding these in Spring 2016. If you would like to send a representative, please tick the box below and we will contact you in due course with further details.

Yes, I would like to register interest to attend the BIS NFR Workshops

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No



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