



February 2017

More reporting – what now?

As we enter the 2017 AGM season, we look ahead to some of the reporting requirements that may affect you, as well as reminding you about others which are already in force.

1. DISCLOSURE OF PAYMENT PRACTICES AND PERFORMANCE

Who?

All large UK companies, both private and public (whether listed or unlisted) and large LLPs. The definition of "large" is as set out in the Companies Act 2006, and will catch companies and LLPs fulfilling two or more of the following criteria on both of their last two balance sheet dates:

- turnover of more than £36m;
- balance sheet total of more than £18m; and
- more than 250 employees.

The rules apply equally to any UK subsidiary in a group which meets the above threshold on a stand-alone basis, even if controlled by a non-UK parent. UK parents of a group must meet both the individual thresholds and a separate group threshold in order to be caught.

What?

Half yearly reports on the entity's payment practices, policies and performance relating to its business-to-business contracts for goods, services or intangible assets. The reports must cover:

- standard payment terms and any variations to these terms over the last reporting period;
- whether suppliers have been notified or consulted in advance of any such variation;

CONTENTS

1. [DISCLOSURE OF PAYMENT PRACTICES AND PERFORMANCE](#)
2. [PUBLICATION OF SLAVERY AND HUMAN TRAFFICKING STATEMENT](#)
3. [REPORTING ON NON-FINANCIAL INFORMATION](#)
4. [GENDER PAY GAP REPORTING](#)
5. [PUBLICATION OF TAX STRATEGY](#)

- an explanation of the business's processes for resolving a dispute with a supplier in relation to payment under a qualifying contract;
- the maximum period for payment entered into during the reporting period;
- the average time taken to pay invoices from the date of receipt of invoice;
- the percentage of invoices paid during the reporting period that were paid (i) in 30 days or less; and (ii) between 31-60 days; and (iii) over 60 days (this being considered bad practice);
- the percentage of invoices due within the reporting period which were not paid within the payment period;
- whether a charge is deducted for remaining on a supplier's list;
- whether the business has any e-invoicing, supply chain finance or preferred supplier lists; and
- whether the business is a signatory to a code of conduct or standards on payment practices.

Where?

The report must be published on a website provided by the government.

When?

Financial years beginning on or after 6 April 2017. Reports will have to be published twice a year, with the first one being due 30 days after the first six months of the company's financial year.

Enforcement?

Breach of the requirement will be a criminal offence, as will publishing false or misleading information.

Source

The [Reporting on Payment Practices and Performance Regulations 2017](#) (currently in draft form). The obligation arises under section 3 of the [Small Business, Enterprise and Employment Act 2015](#).

For more details on this obligation, please see our [client note](#) on this topic.

2. PUBLICATION OF SLAVERY AND HUMAN TRAFFICKING STATEMENT

Who?

Any entity (including both companies and LLPs) that:

- is a commercial operation;
- supplies goods or services;
- carries on a business or part of a business in the United Kingdom; and
- has a total annual turnover of at least £36 million.

The turnover threshold is calculated by adding the turnover of each company carrying on a business (or part of a business) in the UK with the turnover of any of its subsidiaries, including foreign subsidiaries.

What?

A duty to publish a public statement each year on the action the organisation has taken in respect of its business and supply chains. The statement must include either:

- the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains, and in any part of its own business; or
- a statement that the organisation has taken no such steps.

Where?

The organisation must publish the statement on its website and include a link to the slavery and human trafficking statement in a prominent place on its homepage.

When?

Financial years ending on or after 31 March 2016. All relevant businesses should therefore now be producing a statement. There is no prescribed time limit in which to make the statement but the Home Office guidance states that companies are expected to publish it "as soon as reasonably practicable after the end of the financial year" and ideally within 6 months of this date.

Enforcement?

The Secretary of State may enforce the duty in civil proceedings by way of injunction. If the organisation fails to comply with the injunction, it will be in contempt of a court order, which is punishable by an unlimited fine. Enforcement will also be encouraged through public pressure and the desire to avoid potential damage to the organisation's reputation and brand.

Source

Section 54 of the [Modern Slavery Act 2015](#).

3. REPORTING ON NON-FINANCIAL INFORMATION

Who?

- Traded companies (i.e. Main Market companies but not AIM);
- banking companies;
- authorised insurance companies; and
- other companies carrying on insurance market activities,

where those companies (or the group, where the company is a parent company) had more than 500 employees in the last financial year.

What?

A non-financial information statement containing information relating to (as a minimum) the following:

- environmental matters, including the impact of the company's business on the environment;
- social and employee related matters;
- respect for human rights; and

- anti-corruption and bribery matters.

The information in the statement must include:

- a brief description of the company's business model;
- a description of the policies pursued by the company in relation to the non-financial matters and any due diligence processes implemented by the company in pursuance of those policies;
- the outcome of such policies (if there are no such policies, a clear and reasoned explanation must be given);
- a description of the principal risks relating to those non-financial matters and a description of the company's business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and how the company manages such risks; and
- a description of any non-financial key performance indicators.

When?

Financial years beginning on or after 1 January 2017.

Where?

In the company's strategic report.

Enforcement?

If the strategic report is not prepared or does not comply with the legal requirements, the directors may be liable to pay a fine.

Source

The [Companies, Partnerships and Groups \(Accounts and Non-Financial Reporting\) Regulations 2016](#) which amend Part 15 (Accounts and Reports) of the Companies Act 2006.

4. GENDER PAY GAP REPORTING

Who?

All employers operating in the UK with 250 or more employees (including workers, apprentices and some consultants). If the employer is part of a group, each company in the group which is caught by the regulations will have to report separately. LLPs are also caught.

What?

Employers will be required to publish:

- the overall mean (average) and median (mid-point in the data) difference between hourly rate of pay for male and female employees across their workforce;
- the mean and median difference between bonuses and other incentives paid to male and female employees across the workforce;
- the proportion of male and female employees who received bonuses and other incentives during the relevant year; and
- the proportion of men and women who appear in each quartile pay band in the workforce.

When?

Annually, starting with 2017. Employers will have 12 months from 5 April each year to publish the information in respect of the previous year, so the first reports will be due no later than 4 April 2018 but employers have only until 5 April 2017 to correct any pay discrepancies, as the underlying pay data must come from April 2017 (and, for bonuses, the entire year ending 5 April 2017).

Where?

On the employer's website, with a link to the information in a prominent place on the homepage, and must be accessible to all employees and the public. It must remain on the website for at least three years. The information must be accompanied by a written statement, signed by a director, confirming that it is accurate. Employers will also have to submit evidence of compliance to the government annually by uploading the data to a government-sponsored website.

Enforcement?

Employers who fail to report may be "named and shamed" and the Equality and Human Rights Commission will have power to take enforcement action.

Source

[The Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017.](#)

5. PUBLICATION OF TAX STRATEGY

Who?

Broadly, UK companies, partnerships, and UK groups or sub-groups with (i) a turnover of more than £200 million, or (ii) balance sheet assets exceeding £2 billion, in their previous financial year.

What?

A requirement to publish a tax strategy online before the end of the entity's financial year for accounting periods commencing after 15 September 2016. However, the publication does not need to include commercially sensitive information.

When?

Before the end of the first financial year commencing on or after 15 September 2016. The first strategies will therefore be published towards the end of 2017. Going forward, tax strategies must be published annually, and in any event no later than 15 months from the date the previous tax strategy was published.

Where?

The tax strategy must be available to the public, on the internet free of charge, as either a standalone document or as a self-contained part of a wider document.

Enforcement?

If there is a failure to comply with these new rules, HMRC will firstly issue a 30 day warning notice. The penalty is £7,500 for a failure that continues for up to six months, a further £7,500 if the failure continues for up to another six months, and £7,500 for each additional month after that.

Source

[The Finance \(No.2\) Bill 2016](#)

TRAVERS SMITH

FOR FURTHER INFORMATION, PLEASE CONTACT

10 Snow Hill
London EC1A 2AL
T: +44 (0) 20 7295 3000
F: +44 (0) 20 7295 3500
www.traverssmith.com



Neal Watson

Head of Corporate Finance

E: neal.watson@traverssmith.com
T: +44 (0) 20 7295 3250



Adrian West

Partner, Corporate Finance

E: adrian.west@traverssmith.com
T: +44 (0) 20 7295 3419



Richard Spedding

Partner, Corporate Finance

E: richard.spedding@traverssmith.com
T: +44 (0) 20 7295 3284



Laura Summerfield

Head of Listed Company Advisory Team

E: laura.summerfield@traverssmith.com
T: +44 (0) 20 7295 3256