

Additional Reporting Requirements for Financial Years starting on or after 1 January 2019

This document was first published in July 2018 and updated in January 2020

What is the reporting obligation?	Which companies are caught?	Content requirements	Where is it published?
<p>S172(1) Statement</p> <p>Companies have to include a "section 172(1)" statement which describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 (the "Act") when performing their duty under section 172 (i.e. the duty to promote the success of the company).</p>	<p>All companies which currently prepare a strategic report, unless they qualify as medium-sized. In order to qualify as medium-sized, a company must satisfy two or more of the following:</p> <ul style="list-style-type: none"> (i) turnover of not more than £36m; (ii) balance sheet total of not more than £18m; and (iii) not more than 250 employees. <p>Note that certain companies are excluded from being treated as medium-sized even if they meet the above size criteria – this</p>	<p>The statement will include information on some or all of:</p> <ul style="list-style-type: none"> (i) the issues, factors and stakeholders the directors consider relevant in complying with s172 and how the directors have formed that opinion; (ii) the main methods used to engage with stakeholders and to understand the issues to which the directors must have regard; and (iii) information on the effect of that regard on the company's decisions and strategies. 	<p>The statement must be included in the strategic report, and must be a "separately identifiable statement" within it.</p> <p>The statement has to be made available on a website and has to be understandable as a standalone statement (i.e. companies will need to ensure that disclosures made by cross-referencing other parts of the annual report are included with the statement if it is published on a website without the rest of the annual report).</p>

What is the reporting obligation?	Which companies are caught?	Content requirements	Where is it published?
	<p>includes (i) public companies and (ii) companies that are part of an ineligible group, for example where there is a traded company in the group.</p> <p>Includes subsidiaries - all qualifying companies have to report even if the parent company is required to produce consolidated strategic report. A parent or holding company cannot fulfil the reporting obligation for subsidiaries.</p> <p>If parent and subsidiaries are below the qualifying conditions but through consolidation the parent meets the threshold, it must prepare a s172 (1) statement.</p>		<p>Companies can discharge the obligation by publishing their whole annual report or strategic report on the website.</p> <p>Companies can publish on a website maintained by or on behalf of the company (such as a parent company's website) as long as it identifies the company in question and access to it is free and unrestricted.</p> <p>Statement must remain on website until next year's 172(1) statement or (if no statement required for the next year) the end of the next year.</p>
<p>Statement of engagement with employees</p>	<p>Companies with an average number of more than 250 employees during the financial year.</p> <p>For parent companies, the average number of persons employed by the company refers to the number within the group.</p>	<p>A statement summarising:</p> <ul style="list-style-type: none"> (i) how the directors have engaged with employees; and (ii) how they have had regard to employee interests, and the effect of this, including on the principal decisions taken by the company during the financial year. <p>This is in addition to the usual statement in the directors' report describing the company's action during the financial year to engage with employees.</p>	<p>The statement must be included in the directors' report.</p> <p>The aim of the new requirement is to ensure that company reports include information about important aspects of the s172 (1) duty (see above) even where the directors do not judge the information to be of sufficient strategic importance to be included in the strategic report that year.</p> <p>Companies may make the statement in the strategic report instead, where the directors consider the matters to be of strategic importance to the company. Where a company does this, it must state in the directors' report it has done so. The information does not need to be duplicated.</p>

What is the reporting obligation?	Which companies are caught?	Content requirements	Where is it published?
<p>Statement of engagement with suppliers, customers and others in a business relationship with the company</p>	<p>Companies satisfying at least two or more of the three following conditions:</p> <ul style="list-style-type: none"> (i) turnover of more than £36m; (ii) balance sheet total of more than £18m; and (iii) more than 250 employees. 	<p>A statement summarising how directors have had regard to the need to foster the company's business relationships with suppliers, customers and others and the effect of that regard on the principal decisions taken by the company during the financial year.</p>	<p>Statement to be included in the directors' report.</p> <p>Companies may make the statement in the strategic report instead (see above).</p>
<p>Statement of corporate governance arrangements</p>	<p>Companies with either:</p> <ul style="list-style-type: none"> (i) 2,000 or more global employees; or (ii) turnover of over £200 million and a balance sheet total over £2 billion. Applies on a per company basis so applies to subsidiaries. 	<p>A statement of corporate governance arrangements stating:</p> <ul style="list-style-type: none"> (i) which corporate governance code, if any, the company applied in the financial year; (ii) how the company applied the corporate governance code; and (iii) if the company departed from the corporate governance code, the respect in which it did so, and its reasons for departing. <p>If the company has not applied any corporate governance code, the statement must explain:</p> <ul style="list-style-type: none"> (i) the reasons for that decision; and (ii) an explanation of the arrangements for corporate governance that were applied for that year. 	<p>Statement included in directors' report.</p> <p>Unquoted companies can publish on a website maintained by or on behalf of the company (such as parent company's website) as long as it identifies the company in question and access to it is free and unrestricted.</p> <p>Must remain on website until next year's statement or (if no statement required for the next year) the end of the next year.</p>

What is the reporting obligation?	Which companies are caught?	Content requirements	Where is it published?
<p>Pay ratio reporting</p>	<p>Quoted companies with an average number of more than 250 UK employees.</p>	<p>Directors' remuneration report must include:</p> <p>(i) a pay ratios table showing the ratio of the CEO's single total figure of remuneration relative to the 25th, 50th (median) and 75th percentile full-time equivalent remuneration of the company's UK employees across the group as a whole; and</p> <p>(ii) supporting information including (a) the method chosen for calculating the pay ratios; (b) the reason for any changes to the ratios compared with the previous year; and (c) in the case of the median ratio, whether and why the company believes the ratio to be consistent with the company's wider policies on employee pay, reward and progression.</p> <p>Going forward, the ratios should cover a ten year reporting period.</p>	<p>Pay ratio reporting needs to be included in the directors' remuneration report.</p>
<p>Share price impact reporting – performance targets or measures</p>	<p>Quoted companies</p>	<p>Companies have to set out for each executive director:</p> <p>(i) for performance targets or measures relating to more than one financial year, an indication of the maximum remuneration receivable assuming share price appreciation of 50% during the relevant performance period; and</p> <p>(ii) a short description of the basis of the above calculation.</p>	<p>This must be included in the policy section of the remuneration report as part of the illustration of application of the remuneration policy.</p>

What is the reporting obligation?	Which companies are caught?	Content requirements	Where is it published?
		Companies already have to set out the maximum remuneration receivable by each executive director under the terms of the remuneration policy after the first year of its implementation (as a bar chart).	
Share price impact reporting – exercise of discretion	Quoted companies	A summary of any discretion exercised in the award of directors' remuneration.	This must be included in the directors' remuneration report (Remuneration Committee chair's annual statement).
Share price impact reporting – amount and determination of award	Quoted companies	<p>Remuneration report to set out after the single total figure table:</p> <ul style="list-style-type: none"> (i) the actual amount (or estimate of the amount) of the award attributable to share price appreciation; and (ii) how the resulting level of award was determined and whether discretion has been exercised as a result of share price appreciation or depreciation. <p>Companies already have to state the actual level of variable pay awarded to directors and to state whether any discretion has been exercised.</p>	This must be included in the directors' remuneration report.