
DRAFT STATUTORY INSTRUMENTS

2016 No.

**The Companies, Partnerships and Groups (Accounts
and Non-Financial Reporting) Regulations 2016**

Strategic report

4. After section 414C (contents of strategic report)(1) insert—

“414CA Non-financial information statement

(1) A strategic report of a company must include a non-financial information statement if the company was at any time within the financial year to which the report relates—

- (a) a traded company(2),
- (b) a banking company(3),
- (c) an authorised insurance company(4), or
- (d) a company carrying on insurance market activity(5).

(2) If the company’s strategic report is a group strategic report(6), the non-financial information statement to be included in the report under subsection (1) must be a consolidated statement (a “group non-financial information statement”) relating to the undertakings included in the consolidation.

(3) Subsection (1) does not apply if—

- (a) the company is subject to the small companies regime in relation to that financial year (see sections 382 to 384), or
- (b) the company qualifies as medium-sized in relation to that financial year (see sections 465 to 467).

(4) Subsection (1) does not apply if—

- (a) where the company was not a parent company in that financial year, the company had no more than 500 employees in that financial year, or
- (b) where the company was a parent company(7) at any time within that financial year, the aggregate number of employees for a group headed by that company in that financial year was no more than 500.

(5) The number of employees means the average number of persons employed by the company in the year, determined as follows—

(1) Section 414C was inserted by [S.I. 2013/1970](#).
(2) The definition of “traded company” was inserted by [S.I. 2015/980](#) into section 474(1) of the Companies Act 2006.
(3) “Banking company” is defined in section 1164(2) and (3) of the Companies Act 2006.
(4) “Authorised insurance company” is defined in section 1165(2) of the Companies Act 2006.
(5) “Insurance market activity” is defined in section 1165(7) of the Companies Act 2006, which refers to the definition in section 316(3) of the Financial Services and Markets Act 2000 (c. 8).
(6) “Group strategic report” is defined in section 414A(3) of the Companies Act 2006.
(7) “Parent company” is defined in section 1173(1) of the Companies Act 2006 (see also section 1162 of, together with Schedule 7 to, that Act).

- (a) find for each month in the financial year the number of persons employed under contracts of service by the company in that month (whether throughout the month or not),
 - (b) add together the monthly totals, and
 - (c) divide by the number of months in the financial year.
- (6) The aggregate number of employees for a group is ascertained by aggregating the relevant figures determined in accordance with subsection (5) for each member of the group.
- (7) Subsection (1) does not apply if the company is a subsidiary undertaking⁽⁸⁾ at the end of that financial year and is included in—
- (a) a group strategic report of a parent undertaking of the company that satisfies the requirements in subsection (8), or
 - (b) a report that satisfies the requirements in subsection (9).
- (8) The requirements in this subsection are that—
- (a) the group strategic report relates to undertakings that include the company and its subsidiary undertakings (if any),
 - (b) the report is prepared for a financial year of the parent undertaking that ends at the same time as, or before the end of, the company’s financial year, and
 - (c) the report includes a group non-financial information statement in respect of all the undertakings included in the consolidation.
- (9) The requirements in this subsection are that—
- (a) the report is—
 - (i) a consolidated management report under Article 29 of [Directive 2013/34/EU](#) of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings⁽⁹⁾, or
 - (ii) such separate report as is referred to in Article 19a(3) or 29a(3) of that Directive,
 - (b) the report is the report of a parent undertaking of the company established under the law of an EEA State,
 - (c) the report relates to undertakings that include the company and its subsidiary undertakings (if any), and
 - (d) the report includes such information as is required by Article 19a (non-financial statement) or Article 29a (consolidated non-financial statement), as the case may be.
- (10) A company to which subsection (1) does not apply may include a non-financial information statement in its strategic report or, as the case may be, a group non-financial information statement in its group strategic report.

⁽⁸⁾ “Subsidiary undertaking” is defined in section 1162 of, together with Schedule 7 to, the Companies Act 2006.

⁽⁹⁾ OJ No L 182, 29.06.13, p19, amended by [Directive 2014/95/EU](#) of the European Parliament and of the Council amending [Directive 2013/34/EU](#) as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ No L 330, 15.11.14, p1) and Council [Directive 2014/102/EU](#) adapting [Directive 2013/34/EU](#) by reason of the accession of the Republic of Croatia (OJ No L 334, 21.11.14, p86).

414CB Contents of non-financial information statement

(1) The non-financial information statement must contain information, to the extent necessary for an understanding of the company's development, performance and position and the impact of its activity, relating to, as a minimum—

- (a) environmental matters (including the impact of the company's business on the environment),
- (b) the company's employees,
- (c) social matters,
- (d) respect for human rights, and
- (e) anti-corruption and anti-bribery matters.

(2) The information must include—

- (a) a brief description of the company's business model,
- (b) a description of the policies pursued by the company in relation to the matters mentioned in subsection (1)(a) to (e) and any due diligence processes implemented by the company in pursuance of those policies,
- (c) a description of the outcome of those policies,
- (d) a description of the principal risks relating to the matters mentioned in subsection (1)(a) to (e) arising in connection with the company's operations and, where relevant and proportionate—
 - (i) a description of its business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and
 - (ii) a description of how it manages the principal risks, and
- (e) a description of the non-financial key performance indicators relevant to the company's business.

(3) In subsection (2)(e), "key performance indicators" means factors by reference to which the development, performance or position of the company's business, or the impact of the company's activity, can be measured effectively.

(4) If the company does not pursue policies in relation to one or more of the matters mentioned in subsection (1)(a) to (e), the statement must provide a clear and reasoned explanation for the company's not doing so.

(5) The statement must, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts.

(6) If information required by subsections (1) to (5) to be included in the statement is published by the company by means of a national, EU-based or international reporting framework, the statement must specify the framework or frameworks used, instead of including that information.

(7) If a non-financial information statement complies with subsections (1) to (6), the strategic report of which it is part is to be treated as complying with the requirements in—

- (a) section 414C(4)(b),
- (b) section 414C(7), except as it relates to community issues,
- (c) section 414C(8)(b), and
- (d) section 414C(12), so far as relating to the provisions mentioned in paragraphs (a) to (c).

(8) In relation to a group non-financial information statement, this section has effect as if the references to the company were references to the undertakings included in the consolidation.

(9) Nothing in this section requires the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the commercial interests of the company, provided that the non-disclosure does not prevent a fair and balanced understanding of the company's development, performance or position or the impact of the company's activity.”.