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STATUTORY INSTRUMENTS

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**2018 No. 860**

**The Companies (Miscellaneous Reporting) Regulations 2018**

**PART 3**

**Amendments to the Large and Medium-sized Companies  
and Groups (Accounts and Reports) Regulations 2008**

**Amendment of Schedule 7**

**13.** For Part 4 (employee involvement) substitute—

**“PART 4**

**Engagement with employees, suppliers, customers and others**

**Engagement with employees**

**11.—(1)** Unless the company is exempted under paragraph 11A, the directors’ report for a financial year must contain a statement—

- (a) describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at—
  - (i) providing employees systematically with information on matters of concern to them as employees,
  - (ii) consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests,
  - (iii) encouraging the involvement of employees in the company’s performance through an employees’ share scheme or by some other means, and
  - (iv) achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company, and
- (b) summarising—
  - (i) how the directors have engaged with employees, and
  - (ii) how the directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

(2) Nothing in sub-paragraph (1)(b) 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 interests of the company.

(3) In sub-paragraph (1) “employee” does not include a person employed to work wholly or mainly outside the United Kingdom.

**11A.—**(1) A company is exempted under this paragraph—

- (a) in relation to its first financial year if the qualifying condition is met in that year;
- (b) in relation to a subsequent financial year—
  - (i) if the qualifying condition is met in that year and was also met in relation to the preceding financial year;
  - (ii) if—
    - (aa) the qualifying condition is met in that year, and
    - (bb) the company was exempted in relation to the preceding financial year, or
  - (iii) if—
    - (aa) the qualifying condition was met in the preceding financial year, and
    - (bb) the company was exempted in relation to the preceding financial year.

(2) The qualifying condition is met by a company in a year in which the average number of persons employed by the company during the financial year is not more than 250.

(3) The average number of persons employed by the company in the year is determined as follows—

- (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.

(4) Where the company is a parent company the average number of persons employed by the company refers to the number within the group.

(5) In this paragraph no regard is to be had to a person employed to work wholly or mainly outside the United Kingdom.

**Engagement with suppliers, customers and others in a business relationship with the company**

**11B.—**(1) Unless the company is exempted under paragraph 11C, the directors' report for the financial year must contain a statement summarising how the 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, including on the principal decisions taken by the company during the financial year.

(2) Nothing in sub-paragraph (1) 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 interests of the company.

**11C.—**(1) A company is exempted under this paragraph—

- (a) in relation to its first financial year if the qualifying conditions are met in that year;
- (b) in relation to a subsequent financial year—
  - (i) if the qualifying conditions are met in that year and were also met in relation to the preceding financial year;
  - (ii) if—

- (aa) the qualifying conditions are met in that year, and
  - (bb) the company was exempted in relation to the preceding financial year, or
- (iii) if—
- (aa) the qualifying conditions were met in the preceding financial year, and
  - (bb) the company was exempted in relation to the preceding financial year.

(2) The qualifying conditions are met by a company in a year in which it satisfies two or more of the following requirements—

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1	Turnover	not more than £36 million
2	Balance sheet total	not more than £18 million
3	Number of employees	not more than 250

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- (3) In sub-paragraph (2)—
- (a) for a period that is a company’s financial year but is not in fact a year the figure for turnover must be proportionately adjusted,
  - (b) the balance sheet total means the aggregate of the amounts shown as assets in the company’s balance sheet,
  - (c) the number of employees means the average number of persons employed by the company in the year, determined as follows—
    - (i) 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),
    - (ii) add together the monthly totals, and
    - (iii) divide by the number of months in the financial year.”