High-Level panel
Impact of sustainability and the 2030 Agenda on Sustainable Development on financial and non-financial enterprise reporting

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Company Reporting Framework in the UK

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Agenda

- Principles of UK company law
- UK reporting framework
- UK non-financial reporting framework
- Developments for companies
- Developments for investors
- How the main UK NFR relate to SDGs
- Stakeholders
- Conclusion
Principles of UK Company Law

• The UK company law and reporting framework:
  ➢ Defines the basis for legal entities to exist, independently of their owners
  ➢ Leads to limited liability for owners and shareholders

• But - Cost of limiting the liability is transparency of information to investors and other stakeholders.

• Other key considerations:
  ➢ Accountability to stakeholders
  ➢ Consideration of wider impacts
  ➢ Proportionality
Previous UK reporting framework

- Reporting prior to 2013:
  - A Directors’ report setting out the key transactions and activities
  - Annual accounts showing true & fair picture of company’s affairs

- Listed companies
  - Use EU-adopted IFRS to prepare annual accounts

- Private companies
  - Use EU-adopted IFRS or UK GAAP

- Accounts are made publicly available.
Current UK reporting framework
UK Non-financial reporting framework

• Over the years, attention has increasingly turned to non-financial reporting (NFR).
  ➢ Corporate Governance Code mandated for listed companies in 1992.
  ➢ Directors’ Remuneration Report Regulations came into force in 2002.

• Directors’ duties incorporated into Companies Act 2006.

• Step change in 2013 when Strategic Reporting Regulations were implemented.
  ➢ Key requirements for listed companies include: business model and strategy, key risks and uncertainties, environmental and employee matters, social and community issues, human rights, gender analysis, etc.
  ➢ Exemptions for small companies

• All filed in the annual report for the company, with the financial statements.
Developments for companies

• 2016: EU “Non-Financial Reporting Directive”. It provides an obligation to report a non-financial information statement relating to:
  ➢ Environmental matters
  ➢ Social and employees
  ➢ Anti-bribery and corruption
  ➢ Respect for human rights

• 2018: Streamlined Energy and Carbon Reporting requirements:
  ➢ Brings in additional disclosure requirements on energy usage, energy efficiency and greenhouse gas emissions
  ➢ Increases the scope to more types of large companies and LLPs
Developments for investors

- Revised **Stewardship Code** was published on 24th October 2019 by the UK Financial Reporting Council. It sets out the high level principles for:
  - Investors
  - Asset managers
  - Owners

- Signatories must follow the code on a *comply and explain basis* in the course of their stewardship of companies.

- They will be expected to take a wider set of issues into account on:
  - Corporate governance
  - Diversity and social matters
  - Environmental impacts

- Will enhance the UK’s position as a destination for long-term, sustainable investment.
## How the main UK NFR relate to SDGs

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<th>UK Reporting Requirements</th>
<th>SDGs</th>
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<td>Business model &amp; strategy</td>
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<td>Main trends &amp; factors relevant to future development of company</td>
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<td>Principle risks &amp; uncertainties</td>
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<td>Environmental matters</td>
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<td>Social &amp; community issues</td>
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Conclusion

• The UK has a long history of financial and non-financial reporting.

• Balancing accountability to shareholders and to other stakeholders is a key component of the future for company reporting.

• Tomorrow you will hear from other UK representatives:
  ➢ **DS Smith Plc** – Company experience of reporting
  ➢ **Ernst & Young** – The auditor perspective
  ➢ **Aviva** – Use of non-financial information in investment decisions
  ➢ **PwC** – Summary of research on behalf of UK Government on UK stakeholder perceptions of non-financial reporting
  ➢ **Seema Jamil-O’Neill** – Future avenues of policy development