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**Intergovernmental Working Group of Experts on  
International  
Standards of Accounting and Reporting  
(ISAR)**

**36th SESSION**

30 October – 1 November 2019  
Room XIX, Palais des Nations, Geneva

Wednesday, 30 October 2019  
Morning Session

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

Presented by

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# Company Reporting Framework in the UK

ISAR 36, 30<sup>th</sup> October 2019

Andrew Death  
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Business, Energy  
& Industrial Strategy



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# Agenda

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- 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

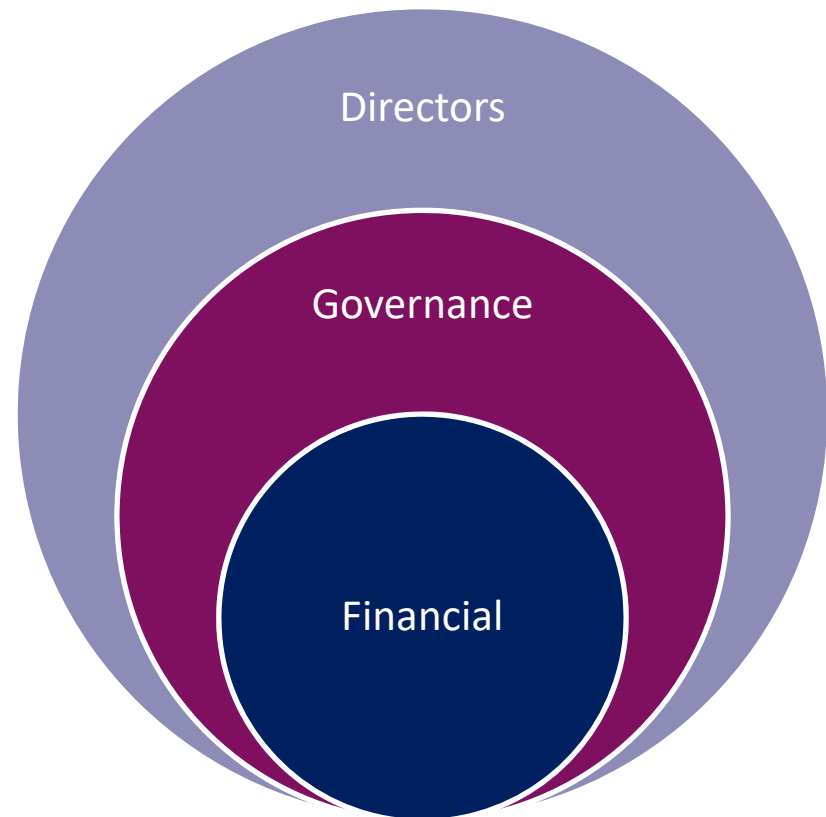
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- The UK company law and reporting framework:
  - Defines the basis for legal entities to exist, independently of their owners
  - Leads to limited liability for owners and shareholders
- But - Cost of limiting the liability is transparency of information 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

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# 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.

UK  
Department for  
Business, Energy  
& Industrial Strategy





# 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 24<sup>th</sup> 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.





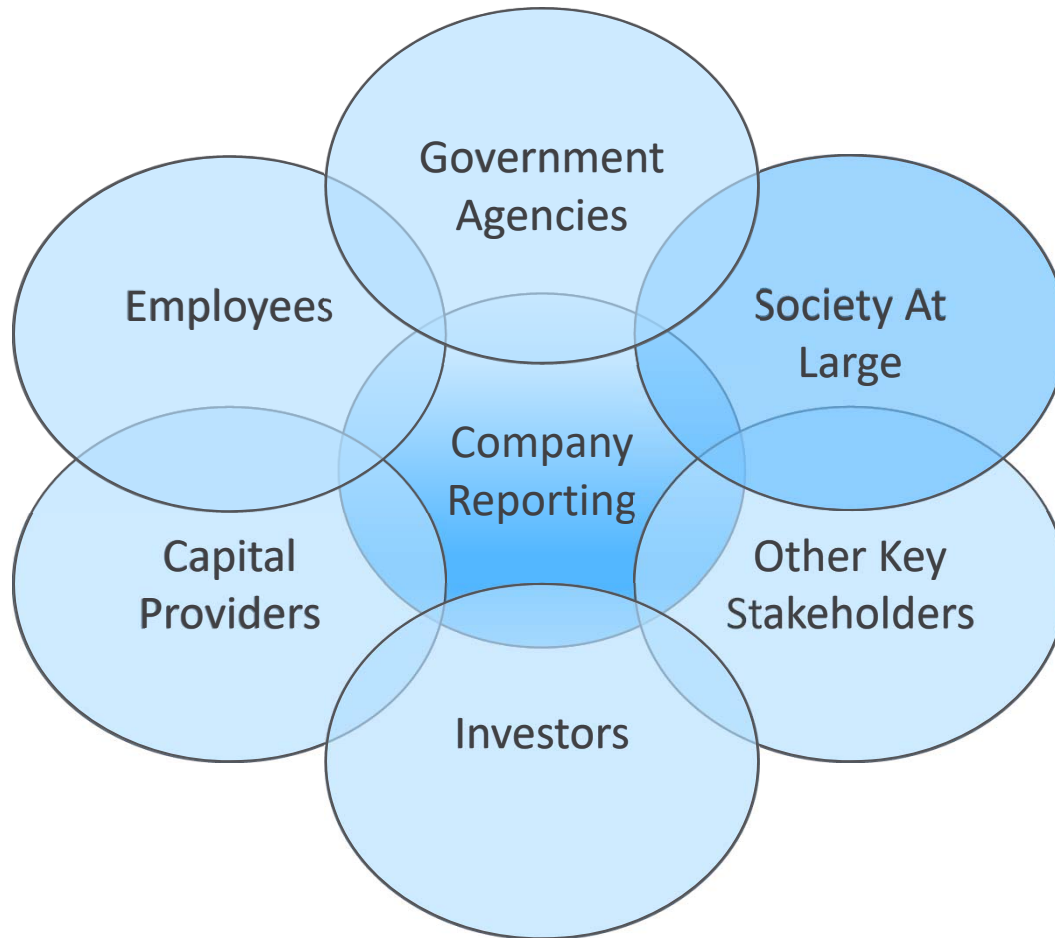
# How the main UK NFR relate to SDGs

UK Reporting Requirements	SDGs
Business model & strategy	
Main trends & factors relevant to future development of company	
Principle risks & uncertainties	
Environmental matters	
Social & community issues	
Gender analysis of directors & senior managers	
Political donations and expenditure	
Employees	
Human rights	



# Stakeholders

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# Conclusion

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- 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

