



Mark Jackson  
Business Environment  
Third Floor  
Piccadilly Gate  
Store Street  
Manchester  
M1 2WD

April 14, 2016

Dear Mark,

**Re: The non-financial reporting directive - a call for views on effective reporting alongside proposals to implement EU requirements.**

Thank you for giving us the opportunity to comment on the consultation paper issued by the Department for Business, Innovation & Skills.

The Investor Relations Society's mission is to promote best practice in investor relations; to support the professional development of its members; to represent their views to regulatory bodies, the investment community and government; and to act as a forum for issuers and the investment community. The Investor Relations Society (IR Society) represents members working for public companies and consultancies to assist them in the development of effective two way communication with the markets and to create a level playing field for all investors. It has over 750 members drawn both from the UK and overseas, including the majority of the FTSE 100 and much of the FTSE 250.

We have set out responses to the questions from your consultation in our submission below. We hope you find these comments useful and please do not hesitate to contact me if you have any further questions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'E Burdett', with a horizontal line underneath.

Emma Burdett  
Chair of The Investor Relations Society's Policy Committee  
020 7379 5151 / [eburdett@maitland.co.uk](mailto:eburdett@maitland.co.uk)



## Non-Financial Reporting consultation response form

The consultation is available at: <https://www.gov.uk/government/consultations/non-financial-reporting-directive-uk-implementation>

The closing date for responses is 15 April 2016

Please return completed forms to:

Mark Jackson  
Business Environment  
Department for Business, Innovation and Skills  
Third Floor  
Piccadilly Gate  
Store Street  
Manchester  
M1 2WD

Tel: 020 7215 0352:

Email: [mark.jackson@bis.gsi.gov.uk](mailto:mark.jackson@bis.gsi.gov.uk)

Please be aware that we intend to publish all responses to this consultation.

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes. Please see page 9 of the consultation for further information.

If you want information, including personal data, that you provide to be treated in confidence, please explain to us what information you would like to be treated as confidential and why you regard the information as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

I want my response to be treated as confidential

Comments: [Click here](#) to enter text.

## Questions

Name: **Emma Burdett** (Chair of the IR Society Policy Committee) and **Laura Hayter** (Head of Policy and Communications)

Organisation (if applicable): The Investor Relations Society

Address: 30 Coleman Street, London EC2R 5AL

Please tick which best describes your organisation.

	<b>Respondent type</b>
<input checked="" type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Central government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Large business (over 250 staff)
<input type="checkbox"/>	Legal representative
<input type="checkbox"/>	Local government
<input type="checkbox"/>	Medium business (50 to 250 staff)
<input type="checkbox"/>	Micro business (up to 9 staff)
<input type="checkbox"/>	Small business (10 to 49 staff)
<input type="checkbox"/>	Trade union or staff association
<input type="checkbox"/>	Other (please describe)

**Q1) Flexibility on where to provide the non-financial statement:**

What is your view on permitting companies flexibility to place information where they feel most appropriate within the boundaries laid out by the EU NFR Directive? Please explain your reasons.

The IR Society believes that the UK narrative reporting framework is well developed following the more recent introduction of the Strategic Report. We therefore believe non-financial information that is material and of strategic importance to investors should be placed in the Strategic Report, part of the annual report, rather than as a separate report.

The IR Society supports the FRC's Clear and Concise reporting initiative ensuring that annual reports provide relevant information for investors and promote higher quality reporting through reducing excess clutter and boilerplate information. The introduction of an additional report may only serve to cause more confusion and diminish the quality and conciseness of the current reporting framework.

Furthermore, reporting can be tailored for different stakeholders, so we support the FRC's Guidance on the Strategic Report, which makes clear that the annual report can signpost to further non-material information outside the annual report where needed.

**Q2) Information that could be placed in a Separate Report:**

We would welcome suggestions for information, currently required by law that could be placed in the separate report

Please see answer to Q1.

**Q3) Advantages and Disadvantages of a separate non-financial statement:**

What do you see as the advantages and disadvantages, for your organisation of the separate statement?

While we recognise the varying information needs of different stakeholders, the IR Society believes that publishing a separate non-financial statement may not only cause confusion among the different stakeholders, but pose the risk that material non-financial information may be then excluded from the annual report.

Furthermore, an additional separate statement may place a resource constraint and cost burden on those smaller, less well-resourced companies, regardless of flexibility in timing of publication.

**Q4) Advantages and disadvantages of the Implementation Options.**

What do you see as the advantages and disadvantages of the various implementation options?

No comment
<p><b>Q5): Preferred option relating to scope</b></p> <p>Considering the possible advantages and disadvantages provided by the flexibilities contained within the EU NFR Directive, which would be your preferred option in terms of which companies should be required to disclose non-financial information?</p>
No comment
<p><b>Q6) Alternative Options</b></p> <p>Are there any other options for implementing the EU NFR Directive the Government should consider?</p>
No comment
<p><b>Q7) Assurance of Non-Financial Information</b></p> <p>Should the Government require that the non-financial statement be verified by an independent assurance service provider'?</p>
<p>Please see our responses to Q1 &amp; Q3 regarding a separate non-financial statement.</p> <p>The IR Society believes there is no requirement for additional non-financial information to be verified by an independent assurance service provider, and it should be left to the discretion of the company.</p>
<p><b>Q8) Advantages and Disadvantages of third-party validation</b></p> <p>What do you see as the advantages and disadvantages of requesting third party assurance?</p>
<p>There is already a requirement for companies to provide fair, balanced, and understandable information and Directors should be responsible for ensuring accurate reporting. Requesting third party assurance would only incur an additional cost burden and time constraints in the reporting process.</p>
<p><b>Q9) Other Options</b></p> <p>Are there any other options the Government should consider for Third Party Verification?</p>
No comment
<p><b>Q10) Advantages and Disadvantages</b></p> <p>What do you see as the advantages and disadvantages of preparing or receiving the non-</p>

<p>financial statement electronically via a company's website?</p>
<p>The IR Society encourages the use of technology as part of best practice communications, and the website enhances accessibility of information and promotes ease of navigation.</p> <p>Please refer to our earlier responses regarding the production of an additional non-financial statement. In line with these responses, we would encourage any additional information/non-financial statement to be signposted/cross-referenced in the annual report. Any material information should be included in the Strategic Report.</p> <p>Any additional information that is published separately electronically, we recommend there is no requirement for companies to supply a printed version, thereby mitigating any additional costs of production.</p>
<p><b>Q11) Additional Protections</b></p> <p>Considering your response to Q7, are there any additional protections that the government should consider?</p>
<p>No comment</p>
<p><b>Q12) Number of Companies Providing an Electronic Report</b></p> <p>We are interested in the number of companies that currently send their annual report electronically. Considering your shareholders, how many, as a percentage, opt to receive their annual report as a printed copy?</p>
<p>Not applicable</p>
<p><b>Q13) Definition of Senior Manager</b></p> <p>BIS would welcome suggestions as to how this definition may be improved to reflect better the intention of this requirement.</p>
<p>Companies vary in size, structure and different industry sectors, and so therefore being too prescriptive in reporting requirements, including the definition of a senior manager can be a challenge for companies to comply with. Furthermore it may prove confusing and misleading for investors and stakeholders. We would welcome further flexibility in the reporting requirements, and consideration by BIS of the forthcoming Gender Pay Gap regulations to improve clarity in this area.</p>
<p><b>Q14) Other Comments on this requirement</b></p> <p>BIS would also welcome other comments on this regulation including views on the approach suggested</p>

No further comments

**Q15) Reporting Regulations**

What other reporting regulations would you suggest that could be repealed?

The IR Society agrees with the reporting regulations that could be repealed as detailed in Page 24 of the consultation.

Furthermore, we would encourage BIS to review the reporting requirements of the Directors' Report. Following the introduction of the Strategic report, we believe much of this information is not relevant to company boards and investors, and could be reported outside of the annual report. This would further promote best practice reporting.

In line with the FRC's Clear and Concise reporting initiative, the IR Society believes that the requirement to list subsidiaries is not consistent with this objective and we would support any proposals to re-instate the S410 concession, allowing the reporting of only principal subsidiaries in the annual report. This would promote best practice and more concise reporting.

**Q16) Other Information**

Is there any information that could be moved outside the Annual Report?

No further comment.

**Q17) Analysis of the Costs and Benefits of implementing the NFR Directive**

Not applicable

**Q17a) Are you a company (not a PIE), a company which is a PIE (as described in para 2.6), an NGO, institutional investor or other type of organisation? If you are a PIE please specify whether you are a parent company or a subsidiary company.**

PIE (Parent)	
PIE (Subsidiary)	
Non-Governmental Organisation	
Institutional Investor	
Other (please specify	

When considering your answers, we would very much appreciate information on any costs you will incur as a result of the proposals for implementing the EU NFR Directive, both in terms of money and time (e.g. describe which type of staff will be involved, for how long). We would appreciate any information on new systems or practices your organisation may adopt, or existing processes that may change, because of the Directive.

**Q17b ) Do you expect to incur any “one off “or “ongoing costs” as a result of having to comply with the requirements of the EU NFR Directive over and above what you incur currently on your non-financial reporting obligations? Please describe these costs. (One off costs could include staff time to familiarise your organisation with the regulations or updating of internal guidance for staff; on-going costs could include additional time to review non-financial data in each year subsequent to first year)**

**Q18c) How would your costs change if you were allowed to provide your non-financial statement separately within six months of the balance sheet date on your financial report?’**

**Q18d) How would your costs change if you were allowed to provide this report electronically on your website and did not have the obligation to provide hard copies except in exceptional circumstances?’**

**Q18e) What additional costs would you expect if the government required that an independent assurance services provider verify the non-financial statement? This may be in terms of money or resources costs such as staff time.’**

Benefits to your company of the EU NFR Directive?

**Q18f) Please describe any benefits to your company you expect will arise because of the EU NFR Directive (to your organisation or more widely).**

If you are happy for BIS officials contact you with further questions about the impact of the EU NFR directive, please provide your contact details.

No comment

Q18g) Any Other Comments

Do you have any other comments about the costs and benefits that will result from the EU NFR Directive?

No comment

Q19) Additional Comments

Do you have any additional comments on this directive

No comment

## Workshops

BIS also intends to hold a series of workshops to discuss the issues in this consultation in more depth. We anticipate holding these in Spring 2016. If you would like to send a representative, please tick the box below and we will contact you in due course with further details.

Yes, I would like to register interest to attend the BIS NFR Workshops

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No

**BIS/16/35/RF**