

# The Companies (Miscellaneous Reporting) Regulations 2018<sup>1</sup>

This overview has been produced to facilitate the initial evaluation of which companies are in scope for the purposes of the [2018 Regulations](#). Underlying sources should be checked to verify the position in each case.

| Reporting requirement   | To which companies does it apply?  | To be published where?   |
|---|--|--|
| <p><b>Section 172(1)<sup>2</sup> statement</b></p> <p><i>Description of how directors have had regard to the matters set out in s.172(1)(a) to (f) when performing their duty under that section (s.414CZA)</i></p> | <ul style="list-style-type: none"> <li>UK incorporated companies required to produce a strategic report (s.414A<sup>3</sup>) other than as set out below.</li> <li>Whilst "medium-sized" companies <b>are</b> required to produce a strategic report, they <b>are not</b> required to prepare a s.172(1) statement (s.414CZA(2)).</li> <li>Ss.465 – 467 set out which companies qualify as "medium-sized".</li> <li>A company is considered "medium-sized" in a year in which it is not a "small" company<sup>4</sup> and satisfies <b>two or more</b> of the following (s.465): <ul style="list-style-type: none"> <li>- <b>Turnover:</b> Not more than £36m;</li> <li>- <b>Balance sheet total:</b> Not more than £18m;</li> <li>- <b>Number of employees globally:</b> Not more than 250.</li> </ul> </li> <li>The equivalent thresholds for parent companies are set out in s.466. A parent company qualifies as a "medium-sized" company in a year if the group headed by it qualifies as a "medium-sized" group. A group is considered "medium-sized" in a year in which it does not qualify as a "small" group<sup>5</sup> and it satisfies <b>two or more</b> of the following: <ul style="list-style-type: none"> <li>- <b>Aggregate<sup>6</sup> turnover:</b> Not more than £36m net<sup>7</sup> (or £43.2m gross);</li> <li>- <b>Aggregate balance sheet:</b> Not more than £18m net (or £21.6m gross);</li> <li>- <b>Number of employees globally:</b> Not more than 250.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>All companies within scope must include the s.172(1) statement in their <b>strategic report</b>.</li> <li>Unquoted companies (including those on AIM) must also publish their s.172(1) statement on their <b>website</b> (s.426B).</li> <li>Note that quoted and AIM-traded companies are already required to make their annual reports available on their website (s.430 / AIM Rules for Companies (<b>AIM Rules</b>), Rule 26).</li> <li>A "quoted" company is a company whose equity share capital is included in the UK Official List, is officially listed in an EEA State, or is admitted to dealing on the NYSE or Nasdaq. An "unquoted company" is one that is not a "quoted" company (s.385).</li> </ul> |

<sup>1</sup> The 2018 Regulations apply to financial periods beginning on or after 1 January 2019.

<sup>2</sup> All statutory references are to the Companies Act 2006 unless otherwise stated.

<sup>3</sup> For the small companies exemption in relation to the strategic report, see s.414B.

<sup>4</sup> For the meaning of "small company", see ss.382-384.

<sup>5</sup> To determine whether a group qualifies as small, see s.383.

<sup>6</sup> Aggregation is dealt with in s.466(5).

<sup>7</sup> The method of calculating "net" and "gross" figures for turnover and balance sheet totals is dealt with in s.466(6).

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|                       | <ul style="list-style-type: none"> <li>• Certain companies are <b>excluded</b> from being treated as "medium-sized" (s.467) – i.e. deemed to be "large" - regardless of their turnover, balance sheet total and number of employees, including:               <ul style="list-style-type: none"> <li>- a public company;</li> <li>- a company with permission under Part 4A of the Financial Services and Markets Act 2000 (<b>FSMA</b>) – e.g. a firm authorised to conduct regulated activities by the Financial Conduct Authority (<b>FCA</b>) - or which carries out an "insurance market activity";</li> <li>- an e-money issuer; and</li> <li>- a member of an "ineligible group".</li> </ul> </li> <li>• An "ineligible group" (s.467) includes a group where <b>any</b> of its members is:               <ul style="list-style-type: none"> <li>- a "traded company" as defined in s.474(1) – i.e. a company with transferable securities admitted to trading on a regulated market, such as the main market of the London Stock Exchange;</li> <li>- a body corporate (other than a company) whose shares are admitted to trading on a regulated market;</li> <li>- an e-money issuer;</li> <li>- a small company that is an authorised insurance company, a banking company, a MiFID investment firm or a UCITS management company;</li> <li>- a person who carries on an insurance market activity; or</li> <li>- a person (other than a small company) who has permission under Part 4A of FSMA.</li> </ul> </li> <li>• If a subsidiary meets the qualifying condition but not the parent company, but the parent company prepares consolidated group accounts, the parent will qualify through consolidation and both the parent (in its group strategic report) and the subsidiary will need to prepare a s.172(1) statement (s.414A(3)).</li> </ul> |                        |

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|  | <ul style="list-style-type: none"> <li>Where the parent and subsidiary are each below the qualifying threshold, but through consolidation the parent meets the threshold, the parent company is required to prepare a s.172(1) statement but the subsidiary is not.</li> </ul>  |   |
| <p><b>Employee engagement statement</b></p> <p><i>Statement of how the directors have engaged with UK employees and 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 (Sch. 7, para. 11, the Large and Medium-sized Companies (Accounts and Reports) Regulation 2008 (Accounts Regulations))</i></p> | <ul style="list-style-type: none"> <li>UK incorporated companies that are "medium-sized" or "large" for accounting purposes and have more than 250 <b>UK employees</b> are required to produce a statement on their engagement with UK employees (Sch. 7, para. 11A, Accounts Regulations).</li> <li>For the purposes of the UK employee calculation, where a company is a parent company, the average number of persons employed by the company under "contracts of service" refers to the number within the group as a whole (Sch. 7, para. 11A(4), Accounts Regulations).</li> </ul>   | <ul style="list-style-type: none"> <li>All companies within scope must include the statement in their <b>directors' report</b>.</li> <li>Where the board considers the information to be strategically important, the disclosure may be made in the strategic report as part of the s.172(1) statement (as permitted by s.414C(11)). In such a case, the directors' report should include a cross-reference to where the information is located in the strategic report.</li> </ul> |
| <p><b>Statement as regards fostering relationships with suppliers, customers and others</b></p> <p><i>Statement of 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 (Sch. 7, para. 11B, Accounts Regulations)</i></p>     | <ul style="list-style-type: none"> <li>UK incorporated companies that satisfy <b>two or more</b> of the following: <ul style="list-style-type: none"> <li>- <b>Turnover:</b> More than £36m;</li> <li>- <b>Balance sheet total:</b> More than £18m;</li> <li>- <b>Number of employees globally:</b> More than 250,</li> </ul> </li> </ul> <p>are required to produce such a statement (Sch. 7, paras. 11B-11C, Accounts Regulations).</p> <p>These thresholds should be calculated at an individual company level only – for example, there is no requirement for parent companies to include the number of employees employed by its subsidiaries.</p> | <ul style="list-style-type: none"> <li>All companies within scope must include the statement in their <b>directors' report</b>.</li> <li>Where the board considers the information to be strategically important, the disclosure may be made in the strategic report as part of the s.172(1) statement (as permitted by s.414C(11)). In such a case, the directors' report should include a cross-reference to where the information is located in the strategic report.</li> </ul> |
| <p><b>Corporate Governance arrangements disclosure</b></p> <p><i>A statement of which corporate governance code, if any, the company applied in the financial year, how the company applied that code and, if the company departed</i></p>   | <ul style="list-style-type: none"> <li>UK incorporated companies that are not exempted (see below) and that have: <ul style="list-style-type: none"> <li>- <b>Number of employees globally:</b> More than 2,000;</li> </ul> </li> </ul> <p><b>AND / OR</b></p>  | <ul style="list-style-type: none"> <li>All companies within scope must include the statement in their <b>directors' report</b>.</li> <li>Unquoted companies must also publish the statement on their <b>website</b> (Sch. 7, para. 27, Accounts Regulations).</li> </ul>  |

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|---|---|---|
| <p><i>from that code, the respects in which it did so and its reasons for so doing. If the company has not applied any corporate governance code for the financial year, the statement must explain the reasons for that decision, and explain what arrangements were applied for that year (Sch. 7, para. 26 Accounts Regulations)</i></p>   | <ul style="list-style-type: none"> <li>- <b>Turnover</b> of more than £200m <b>and</b> a <b>balance sheet total</b> of more than £2bn,</li> <li>are required to produce a corporate governance statement (Sch. 7, para. 23, Accounts Regulations).</li> <li>• UK incorporated companies subject to DTR 7.2R of the FCA's Handbook (<b>FCA Handbook</b>) – e.g. companies with premium listed securities admitted to trading on the main market of the London Stock Exchange - (see s.472A), community interest companies and charitable companies are exempted from the reporting requirement.</li> <li>• The thresholds should be calculated at an individual company level only – no consolidation across the group is required (see Q12 and Q13 of The Companies (Miscellaneous Reporting) Regulations 2018 Q&amp;A (Nov 2018).</li> </ul> | <ul style="list-style-type: none"> <li>• Note that an AIM company is required to maintain a website on which it sets out details of a recognised corporate governance code that its board has decided to apply, how the AIM company complies with that code and, where it departs from its chosen code, an explanation of the reasons for doing so (Rule 26, AIM Rules).</li> </ul> |
| <p><b>CEO pay ratio disclosure</b></p> <p><i>Details of the CEO's remuneration and that of the pay and benefits of a UK employee on 25th, 50th and 75th percentiles of pay and benefits of the company's (or, in the case of a parent company, group's) UK employees, including (amongst other things) an explanation of the methodology adopted for the calculation of the relevant ratios and the reasons for any change in methodology from the previous year (Sch. 8, paras. 19A - 19G, Accounts Regulations)</i></p> | <ul style="list-style-type: none"> <li>• All UK incorporated "quoted" or "traded" companies which have more than 250 <b>UK employees</b> are required to disclose the prescribed information.</li> <li>• The number of employees should be determined <b>across the group as a whole</b> (Sch. 8, para. 19B(4), Accounts Regulations).</li> <li>• A "quoted company" is a company whose equity share capital is included in the UK Official List, is officially listed in an EEA State, or is admitted to dealing on the NYSE or Nasdaq (s.385).</li> <li>• A "traded company" for this purpose is a company whose voting shares are admitted to trading on a regulated market in an EEA State (s.360C).</li> <li>• The definitions of what is a "quoted" and a "traded" company do not bring AIM companies into scope.</li> </ul>            | <ul style="list-style-type: none"> <li>• All companies within scope must include the prescribed information in their <b>directors' remuneration report</b>.</li> </ul>  |
| <p><b>Executive pay illustrative share price growth reporting</b></p> <p><i>Amongst other things, an illustration of the effect of a future share price increase of 50% on executive pay and details of how</i></p>   | <ul style="list-style-type: none"> <li>• All UK incorporated "quoted" or "traded" companies (as defined above) are required to disclose the prescribed information.</li> </ul>  | <ul style="list-style-type: none"> <li>• All companies within scope must include the prescribed information in their <b>directors' remuneration report</b>.</li> </ul>  |

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|---|-----------------------------------|------------------------|
| <i>much of directors' total remuneration is attributable to share price growth (Sch. 8, para 35A, Accounts Regulations)</i> |                                   |                        |

**Notes:**

1. The 2018 Regulations can be found by [clicking here](#).
2. The respective qualifying thresholds referred to in this document are subject to specific "smoothing provisions" to address the situation where a company fluctuates above and below the relevant qualifying threshold. The primary sources detailed above should be checked for the substance of these smoothing provisions in order to determine whether a company is subject to the relevant reporting requirements.
3. Further sources of guidance on the 2018 Regulations can be found in:
  - [The Companies \(Miscellaneous Reporting\) Regulations 2018 Q&A](#), published by the Department of Business, Innovation and Industrial Strategy (November 2018); and
  - The Financial Reporting Council's [Guidance on the Strategic Report](#) (July 2018).

## 2018 Regulations – Ready reckoner

|  | Unquoted  |                | Quoted         |                |
|--|---|----------------|----------------|----------------|
|  | Medium  | Large          | Medium         | Large          |
| <b>S.172(1) statement</b>  | ? <sup>1</sup>  | ✓              | ? <sup>1</sup> | ✓              |
| <b>Employee engagement statement</b>   | ✓ <sup>2</sup>  | ✓ <sup>2</sup> | ✓ <sup>2</sup> | ✓ <sup>2</sup> |
| <b>Statement as regards fostering relationships with suppliers, customers and others</b> |   | ✓              |                | ✓              |
| <b>Corporate Governance arrangements disclosure</b>                                      | Only applicable if the company (whether quoted or unquoted) is not exempt and has: (i) more than 2,000 employees globally; <b>AND / OR</b> (ii) turnover of more than £200m <b>and</b> a balance sheet total of more than £2bn.<br><br>UK incorporated companies subject to DTR 7.2R of the FCA Handbook, community interest companies and charitable companies are exempt. |                |                |                |
| <b>CEO pay ratio disclosure</b>  |   |                | ✓ <sup>2</sup> | ✓ <sup>2</sup> |
| <b>Executive pay illustrative share price growth reporting</b>                           |   |                | ✓              | ✓              |

<sup>1</sup> – Companies which qualify as "medium-sized" relative to the metrics set out in s.465 may be excluded from being treated as "medium-sized" (and therefore brought within the reporting requirement) in accordance with s.467 (e.g. by being part of an "ineligible group" – see main body of this note).

<sup>2</sup> – Only applicable if the company has more than 250 **UK employees**. Where a company is a parent company, the number of **UK employees** is the aggregate number of **UK employees** across the group.

"Medium" = "Medium-sized" company for accounting purposes - see main body of this note.

"Large" = "Large" company for accounting purposes - see main body of this note.