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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations implement Article 1(1) and (3) of [Directive 2014/95/EU](#) of the European Parliament and of the Council amending [Directive 2013/34/EU](#) as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ No L 330, 15.11.14, p1). Article 1(1) inserts Article 19a, and Article 1(3) inserts Article 29a, into [Directive 2013/34/EU](#) of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (OJ No L 34, 11.12.2014, p1) (“the Accounting Directive”).

These Regulations also make some amendments with respect to the transposition of Article 23(1) of the Accounting Directive.

The Accounting Directive applies only to certain types of undertaking, which have limited liability. Regulation 1 restricts the effect of the amendments to the Companies Act 2006 (c. 46) (“the 2006 Act”) to companies and qualifying partnerships. The word ‘company’ has the meaning given by section 1 of the 2006 Act, being a company formed or registered under that Act. Qualifying partnerships are defined in regulation 3 of the Partnerships (Accounts) Regulations 2008 ([S.I. 2008/569](#)). The amendments made to the 2006 Act by these Regulations apply to qualifying partnerships by virtue of [S.I. 2008/569](#).

Regulation 3 concerns the transposition of Article 23(1) of the Accounting Directive, to ensure that the parent company of a small group cannot benefit from an exemption from the requirement to produce group accounts if a member of the group is established under the law of an EEA state and is one of the types of entities listed in newly inserted section 399(2B).

Regulation 4 inserts new sections 414CA and 414CB into the 2006 Act. By section 414A of the 2006 Act, the directors of a company must produce a strategic report for each financial year, while the directors of a company which is a parent company producing group accounts must produce a group strategic report (which is a consolidated report relating to all the undertakings included in the consolidated accounts). Section 414C sets out the required content of a strategic report.

Inserted section 414CA requires companies and groups of a certain type (i.e. those listed in subsection (1) of that section), which are not small or medium-sized, and which have more than 500 employees in a financial year, to produce a non-financial statement as part of their strategic report. The requirement to produce a non-financial statement does not apply to a company which is a subsidiary undertaking if that company and its subsidiary undertakings (if any) are included in a group strategic report which complies with the requirements in subsection (8), or in a consolidated management report of an EEA undertaking which complies with the requirements in subsection (9).

Inserted section 414CB sets out the requirements for the contents of the non-financial information statement. The statement must include such information as is necessary for an understanding of the company’s development, performance and position and the impact of the company’s activity, and must include information relating to certain matters. Some information requirements can be fulfilled by the company publishing the information by means of a national, EU-based or international reporting framework (see subsection (6)). Compliance with section 414CB(1) to (6) is deemed to fulfil some of the requirements for non-financial information contained in section 414C (see subsection (7)). Information about impending developments or matters in the course of negotiation which would, in the opinion of the directors, be seriously prejudicial to the commercial interests of the company can in certain circumstances be withheld (see subsection (9)).

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

A transposition note is available alongside this instrument at [www.legislation.gov.uk](http://www.legislation.gov.uk).

A full regulatory impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available from the Business Frameworks and Regional Growth Fund Directorate, Department for Business, Energy and Industrial Strategy, 1 Victoria Street, London SW1H 0ET or from [www.gov.uk/beis](http://www.gov.uk/beis), and is also available alongside this instrument at [www.legislation.gov.uk](http://www.legislation.gov.uk).