

Title: Exceptions to prohibition of corporate directors set out in the SBEE Act (2015) IA No: BEIS032(C)-20-BF Lead department or agency: Department for Business, Energy and Industrial Strategy Other departments or agencies: HM Treasury, Home Office, Ministry of Justice; Insolvency Service, Companies House; Law enforcement agencies	Impact Assessment (IA)		
	Date: 12/11/2020		
	Stage: Consultation		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
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Summary: Intervention and Options	RPC Opinion: Not Applicable
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2016 prices; 2017 PV)	In scope of One-In, Measure qualifies as Three-Out?
£ -3m	£ -3m	£0.3m	No N/A

What is the problem under consideration? Why is government intervention necessary?
 The SBEE (2015) Act gave the government powers to prohibit the use of corporate directors. Corporate directors create opacity in company structures and increase the potential for companies to be used for illicit activity. However corporate directors also have legitimate business uses. The rationale for the secondary legislation is to avoid a regulatory failure where a prohibition on corporate directors criminalises legitimate business activities.

What are the policy objectives and the intended effects?
 The policy objective is to address the scope for abuse in the current legal framework which allows opaque arrangements involving corporate directors, whilst permitting legitimate business activities to continue. In doing so we anticipate that the chosen option will contribute to reducing crime and improving the business environment and ultimately should help facilitate economic growth in the UK.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 This IA considers four options:
 Option 0: Do Nothing
 Option 1: Prohibition with no exception,
 Option 2: Prohibition with an exception based on the size and type of business, and
 Option 3: Prohibition with a principles-based exception and equivalence for scheduled companies.
 Option 4: Prohibition with a principles-based exception and ID verification for Directors (**preferred option**)
 These options were developed after extensive consultation with businesses. The preferred option targets the source of concern more directly, whilst excepting the most firms and is the least cost option. The impact assessment for the primary legislation considered non-regulatory options instead of prohibition, e.g. voluntary provision of information and information campaign, but these would not have achieved the objectives of the policy.

Will the policy be reviewed? When will it be reviewed? If applicable, set review date: To be set out in FINAL IA						
Does implementation go beyond minimum EU requirements?				N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded: N/A		Non-traded: N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:  Date: 12/11/2020

Summary: Analysis & Evidence

Policy Option 0

Description: Do nothing, not enact secondary legislation

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
2017	2019	10	Low: 0	High: 0	Best Estimate: 0

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition Price)	Annual (Constant)	Total (Present Value)	Cost
Low	0		0		0	
High	0		0		0	
Best Estimate	0		0		0	

Description and scale of key monetised costs by 'main affected groups'

Other key non-monetised costs by 'main affected groups'

N/A

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition Price)	Annual (Constant)	Total (Present Value)	Benefit
Low						
High						
Best Estimate						

Description and scale of key monetised benefits by 'main affected groups'

N/A

Other key non-monetised benefits by 'main affected groups'

This option would not reduce the use of opaque arrangements involving corporate directors and would not help prevent crime through deterrence, enhancing corporate transparency and in some instances directly remove a mechanism to facilitate crime. It would not therefore make apprehending criminals both cheaper and easier for law enforcement agencies. Under this option benefits from action would be foregone.

Key assumptions/sensitivities/risks

Discount rate 3.5

There is a risk that the benefits from a reduction in criminal activity will not be as large as we anticipate e.g. if companies find a way to hide their involvement in a company. Given the uncertainties these benefits have not been included in the cost benefit analysis. Other inherently uncertain benefits, as cited in the primary legislation IA, have also not been included in the cost benefit analysis.

BUSINESS ASSESSMENT (Option 0) (2016 Prices, 2017 PV)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0	Benefits:	Net: 0	No	N/A

Summary: Analysis & Evidence

Policy Option 1

Description: Pass secondary legislation without exceptions i.e. complete prohibition of all corporate directors

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
2017	2019	10	Low: -327	High: -12	Best Estimate: -17

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition Price)	Annual (Constant)	Total (Present Value)	Cost
Low	12		0		12	
High	327		0		327	
Best Estimate	17		0		17	

Description and scale of key monetised costs by 'main affected groups'

The main non-recurrent costs are:

- Staff time involved in removing and/or replacing a corporate director who sits on a company board,
- Costs of any reputational damage or loss of benefits from the prohibition of corporate directors, and
- Familiarisation costs.

The large cost difference between the high and other scenarios is because we assume that all companies will need to familiarise themselves with the regulation even if they do not use a corporate director. This assumption was included in the primary legislation IA and we propose to review this with the Regulatory Policy Committee.

Other key non-monetised costs by 'main affected groups'

N/A

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition Price)	Annual (Constant)	Total (Present Value)	Benefit
Low						
High						
Best Estimate						

Description and scale of key monetised benefits by 'main affected groups'

N/A

Other key non-monetised benefits by 'main affected groups'

This option would reduce the use of opaque arrangements involving corporate directors and will help prevent crime through deterrence, enhancing corporate transparency and in some instances directly remove a mechanism to facilitate crime. It should make apprehending criminals both cheaper and easier for law enforcement agencies.

Key assumptions/sensitivities/risks	Discount rate	3.5
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Following standard IA methodology, we have assumed 100% compliance. If this is not achieved, then there would likely to be additional cost for Companies House and BEIS in the first instance and a possible impact on the justice system. There is a risk that the benefits from a reduction in criminal activity will not be as large as we anticipate e.g. if companies find a way to hide their involvement in a company. Given the uncertainties these benefits have not been included in the cost benefit analysis. Other inherently uncertain benefits, as cited in the primary legislation IA, have also not been included in the cost benefit analysis.

BUSINESS ASSESSMENT (Option 1) (2016 Prices, 2017 PV)

Direct impact on business (Equivalent Annual) £m:	In scope of OITO?	Measure qualifies as
Costs: 1.8	No	N/A
Benefits:		
Net: 1.8		

Summary: Analysis & Evidence

Policy Option 2

Description: Specify in legislation a list of specific exceptions to the prohibition of corporate directors

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: -326	High: -12	Best Estimate: -16
2017	2019	10			

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition Price)	Annual (Constant)	Total (Present Value)	Cost
Low	12		0		12	
High	326		0		326	
Best Estimate	16		0		16	

Description and scale of key monetised costs by 'main affected groups'

The main costs are:

- Staff time involved in removing and/or replacing a corporate director who sits on a company board,
- Costs of any reputational damage or loss of benefits from the prohibition of corporate directors, and
- Familiarisation costs.

The large cost difference between the high and other scenarios is because in the high scenario we assume that all companies will need to familiarise themselves with the regulation even if they do not use a corporate director.

Other key non-monetised costs by 'main affected groups'

N/A

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition Price)	Annual (Constant)	Total (Present Value)	Benefit
Low						
High						
Best Estimate						

Description and scale of key monetised benefits by 'main affected groups'

N/A

Other key non-monetised benefits by 'main affected groups'

This option would reduce the use of opaque arrangements involving corporate directors and will help prevent crime through deterrence, enhancing corporate transparency and in some instances directly remove a mechanism to facilitate crime. It should make apprehending criminals both cheaper and easier for law enforcement agencies. Compared to the do-nothing the benefit of this option may diminish overtime if criminals make greater use of the corporate structures covered by the exception.

Key assumptions/sensitivities/risks

Discount rate

3.5

Following standard IA methodology, we have assumed 100% compliance. If this is not achieved, then there would likely to be additional cost for Companies House and BEIS in the first instance and a possible impact on the justice system. There is a risk that the benefits from a reduction in criminal activity will not be as large as we anticipate e.g. if companies find a way to hide their involvement in a company. Given the uncertainties these benefits have not been included in the cost benefit analysis. Other inherently uncertain benefits, as cited in the primary legislation IA, have also not been included in the cost benefit analysis.

BUSINESS ASSESSMENT (Option 2) (2016 Prices, 2017 PV)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 1.7	Benefits:	Net: 1.7	No	N/A

Summary: Analysis & Evidence

Policy Option 3

Description: A principle-based exception to the prohibition of corporate directors and equivalence for scheduled companies

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: -312	High: -12	Best Estimate: -13
2017	2019	10			

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition Price)	Annual (Constant)	Total (Present Value)	Cost
Low	1.7		1.2		12	
High	305		0.8		312	
Best Estimate	2.8		1.2		13	

Description and scale of key monetised costs by 'main affected groups'

The main costs are:

- Staff time involved in removing and/or replacing a corporate director who sits on a company board,
- Costs of any reputational damage or loss of benefits from the prohibition of corporate directors, and
- Familiarisation costs.

In this case there are also recurrent costs. Companies would need to confirm, in the annual confirmation statement, that they remain eligible for the exemption.

Other key non-monetised costs by 'main affected groups'

N/A

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition Price)	Annual (Constant)	Total (Present Value)	Benefit
Low						
High						
Best Estimate						

Description and scale of key monetised benefits by 'main affected groups'

N/A

Other key non-monetised benefits by 'main affected groups'

This option would reduce the use of opaque arrangements involving corporate directors and will help prevent crime through deterrence, enhancing corporate transparency and in some instances directly remove a mechanism to facilitate crime. It should make apprehending criminals both cheaper and easier for law enforcement agencies.

Key assumptions/sensitivities/risks

Discount rate

3.5

As option 2 but a key additional risk is that this approach would place the UK in non-conformity with WTO most favoured nation rules. .

BUSINESS ASSESSMENT (Option 3) (2016 Prices, 2017 PV)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 1.4	Benefits:	Net: 1.4	No	N/A

Summary: Analysis & Evidence

Policy Option 4

Description: A principle-based exception to the prohibition of corporate directors and ID verification for Directors (Preferred)

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
2017	2019	10	Low: -305	High: -2	Best Estimate: -3

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition Price)	Annual (Constant)	Total (Present Value)	Cost
Low	305					
High	2					
Best Estimate	3					

Description and scale of key monetised costs by 'main affected groups'

The main costs are:

- Staff time involved in removing and/or replacing a corporate director who sits on a company board,
- Costs of any reputational damage or loss of benefits from the prohibition of corporate directors, and
- Familiarisation costs.

We do not include the costs of ID verification for Directors as these will apply to all Directors and to avoid double counting will be captured in the IA related to register reform.

Other key non-monetised costs by 'main affected groups'

N/A

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition Price)	Annual (Constant)	Total (Present Value)	Benefit
Low						
High						
Best Estimate						

Description and scale of key monetised benefits by 'main affected groups'

N/A

Other key non-monetised benefits by 'main affected groups'

This option would reduce the use of opaque arrangements involving corporate directors and will help prevent crime through deterrence, enhancing corporate transparency and in some instances directly remove a mechanism to facilitate crime. It should make apprehending criminals both cheaper and easier for law enforcement agencies.

Key assumptions/sensitivities/risks

Discount rate 3.5

As option 2.

BUSINESS ASSESSMENT (Option 3) (2016 Prices, 2017 PV)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.3	Benefits:	Net: 0.3	No	N/A

1. Background

Policy background

1. A “corporate director” or “corporate directorship” is a situation where a company or a “legal person”, rather than an individual or “natural person”, is appointed as and acts as, the director of a company. Under the Companies Act 2006, UK companies can have corporate directors so long as they appoint at least one director who is a natural person. For Limited Liability Partnerships (LLPs), corporate members can be appointed and there is no corresponding requirement to appoint at least one natural person. While corporate directors can perform legitimate business functions, they also make corporate structures opaquer possibly facilitating illicit activity or jeopardising effective corporate oversight.
2. Around 33,300 UK companies and 23,000 LLPs currently have corporate directors (or corporate members in the context of LLPs) on their boards.¹ This represents just over 1% of all live UK companies and LLPs. There are around 89,300 corporate directorships or memberships.
3. At the G8 summit in June 2013 the Government committed to increase transparency of who owns and controls a company. In July 2013, the Government published the Transparency and Trust discussion paper which sought views on prohibiting the use of corporate directors in UK companies. Responses helped the Government reach the conclusion that directors should normally be individuals.
4. The governments of several civil and common law jurisdictions have removed the use of corporate directors entirely. These include, but are not limited to: Germany, Canada and Australia.
5. However, acknowledging the legitimate uses of corporate directors, the Government announced that it would allow exceptions to the prohibition on corporate directors:
 - a. The Government consulted in November 2014 on a list of specific exceptions largely related to size and type of legal entity². This consultation ended in 2015 and subsequently the Government revised its approach and considered a principle-based approach to the exception. This would have advantages over basing the exception on a list of company types and sizes. It would provide clarity for companies and would not inadvertently restrict the use of company directors for legitimate business practices. Government consulted on this later in 2015.
 - b. The Government’s consultation in 2014 also announced that corporate members of LLPs would not be prohibited. Evidence gathered suggested that, unlike companies, corporate members in LLPs have some parallels both with company directors and with company shareholders. They are an important means for securing investment for LLPs. Therefore, restrictions on corporate members risk

¹ All figures in this paragraph refer to Companies House management information, dated 31st March 2018

² BIS(2014), ‘Scope of exceptions to prohibition of corporate directors, November 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378197/bis-14-1017-scope-of-exceptions-to-prohibition-of-corporate-directors.pdf

restricting investment in LLPs³. However, LLPs will be restricted from acting as corporate directors in companies.

6. In 2015 the Small Business Enterprise and Employment (SBEE) Act⁴ gave the Government powers to prohibit corporate directors of UK companies. An Impact Assessment (IA) set out the costs and benefits of the measures. Key information on costs and options is summarised in Annex A.⁵ The Government agreed that exceptions to the prohibition were to be set out in subsequent secondary legislation and that the prohibition will come into force 12 months after the secondary legislation – setting out the exception - is passed. Companies would have at least 12 months to therefore adapt to the regulation, helping them to avoid unnecessary compliance costs.
7. Given the delay between Parliament agreeing a prohibition through primary legislation and proposed secondary legislation bringing the exception and prohibition into force we have taken the following approach to defining options:
 - a. The current position is that the ban will not come into force until secondary legislation, defining the exception regime, is passed. Therefore, in the absence of the secondary legislation there would be no prohibition. **Do nothing** (option 0) in this case therefore is equivalent to no prohibition on the use of corporate directors.
 - b. However, in passing the secondary legislation the Government could set out that there would be no exceptions to the prohibition. We consider this as option 1.
 - c. Other options reflect different levels of exception with more companies and corporate directors benefitting from the exception regime compared to the option 1.
8. However, it should be noted that since the primary legislation was passed the number and use of corporate directors has fallen. The reasons for this are unknown but could reflect a business response to a pre-announced prohibition. In which case using the latest data on corporate directorships might lead us to under-estimate the business impact of our preferred option. We will explore this issue during the consultation and whether the effect is likely to be material.

³ BIS (2014), Corporate Directors: Scope of exceptions to the prohibition of corporate directors, November 2014.

⁴ See <http://www.legislation.gov.uk/ukpga/2015/26/contents/enacted/data.htm>

⁵ BIS (2014), 'Impact Assessment – Opaque Arrangements Involving Company Directors', Final Stage Impact Assessment of Part A of the Transparency and Trust Proposals (Company Transparency), https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/324712/bis-14-908a-final-impact-assessments-part-a-companies-transparency-and-trust.pdf

Table one: Change in number and use of corporate of corporate directors between 2013 and 2018

	Activity reported in primary legislation IA: 30 th June 2013	31 st March 2018
Corporate Directorships or corporate memberships	100,200	89,300
Companies and LLPs with corporate directors or members on their board	67,000	56,000
Companies and LLPs who act as a corporate director	76,000	43,200

Note: includes LLPs to be consistent with figures cited in the primary legislation impact assessment. As noted in the introduction LLPs would be permitted to retain corporate members and they would not be affected by the prohibition. Source: Companies House management information.

2. Problem under consideration

9. Opaque arrangements involving company directors can:

- a. Increase the potential for companies to be used for illicit activity. The potential costs and impacts of illicit activity were set out in detail in the IA underpinning the primary legislation and will not be repeated here.
- b. Lead to poorer standards of corporate governance and correspondingly lead to a reduction in the level of trust in UK business.

10. The IA underpinning the primary legislation set out the options and solutions to high levels of opaqueness caused using corporate directors. The problem under consideration in this IA is how to implement restrictions on the use of corporate directors without prohibiting legitimate uses of corporate directors which bring business benefit.

11. This measure complements the Persons of Significant Control regulations which bring greater transparency to those individuals who own or exert control over UK companies, e.g. either as shareholders or as individuals who can change Board members⁶.

3. Rationale for intervention

12. The IA underpinning the primary legislation set out the rationale for regulating corporate directorships. This set out the rationale in considerable detail but in brief:

- a. Firstly, opacity around corporate ownership and control can be used to conceal an individual's interest in a company from the authorities. This means that law enforcement agencies cannot readily identify individuals behind/controlling a company and, as a result, in some cases criminal activity can be facilitated. This leads to a regulatory failure associated with the current corporate governance and

⁶ <https://www.gov.uk/guidance/people-with-significant-control-pscs>

company law frameworks, which enables some individuals who control companies to remain anonymous and hence allow or even facilitate financial crime.

b. As evidence the IA cited that:

- i. There is a clear link between illicit financial flows and company structures. The Organisation for Economic Co-operation and Development (OECD) has observed that “almost every economic crime involves the misuse of corporate vehicles”⁷. A World Bank review⁸ reported that 150 of the 213 grand corruption cases investigated involved the use of at least one corporate vehicle to hide beneficial ownership and the true source of funds: the World Bank confirmed that 26 of these cases involved UK corporate vehicles.
- ii. The SFO reported that corporate directors probably feature in around a quarter of their cases.

c. Secondly, and linked to that, there is an information asymmetry with respect to company control, between those that control companies and those that trade with them or invest in them, which inhibits economic activity. The inefficiency and reputational damage that financial crime, where it occurs, introduces to the economy, as well as the lost business and reduced investment from information asymmetry, could all negatively impact on economic growth. Without Government intervention, there is unlikely to be sufficient collective action by those who benefit from opaque company director arrangement to address these issues.

13. The rationale for the secondary legislation is to avoid a potential regulatory failure where a prohibition on corporate directors criminalises legitimate business activities. For example, during previous consultations companies identified legitimate uses of corporate directors including:

- a. Where companies send different people to a subsidiary’s board meetings to fit the agenda of the meeting. If corporate members are not permitted, then either the company would need to appoint all possible experts as directors of the subsidiary or appoint a proxy if the natural director cannot attend a meeting or have relevant experts attend board meetings as advisers rather than directors. This could be a problem for large companies taking minority stakes in start-ups.
- b. It permits multiple signatories – ensuring that there is a readily available signatory for key documentation not affected by absence or travel commitments.
- c. If a member of staff who attends subsidiary board meetings leaves or is rotated to a new role then their place can be easily taken by another representative of the company, without going through the process of creating new directors.

⁷ OECD (2011) Behind the Corporate Veil, Using Corporate Entities for Illicit Purposes.

⁸ World Bank Publications (2011), The Puppet Masters: How the Corrupt Use Legal Structures to Hide Stolen Assets and What to do About it.

- d. Some companies restrict directorships to owners of property or other assets. Where a company is used to buy these only it can be on the board.

4. Policy objective

14. The policy objective is to address the scope for abuse in the current legal framework which allows opaque arrangements involving corporate directors, whilst permitting legitimate business activities to continue. In doing so we anticipate that the chosen option will contribute to reducing crime and improving the business environment and ultimately should help facilitate economic growth in the UK.

5. Description of options considered (including do nothing)

15. The options outlined in this IA relate to how exceptions to the prohibition of corporate directors should be implemented. The proposed options are:
 - a. **Option 0** – Do nothing. Do not introduce secondary legislation which is required to enact the ban contained in primary legislation. This means that there is no prohibition on the use of corporate directors.
 - b. **Option 1** – Specify no exceptions for companies in the exception regime. Allow the complete prohibition of corporate directors as outlined in Small Business Enterprise and Employment (SBEE) Act 2015 to take effect. This option is not considered desirable as it would criminalise legitimate business activities and impose unnecessary costs on business. It would mean that corporate directors could not be used where they serve a legitimate business function and have not given rise to any negative consequences.
 - c. **Option 2** – To specify in secondary legislation a list of specific exceptions to the prohibition of corporate directors in the primary legislation. The possible exceptions are based on those proposed in the Impact Assessment underpinning the primary legislation.
 - d. **Option 3** – Specify in secondary legislation the following ‘principle based’ exception to the prohibition in the primary legislation (preferred option):

“A company can only appoint (or retain) a corporate director where the latter a) has directors who are all natural persons, and b) is of a type contained within a prescribed list of corporate entities subject to transparency requirements which ensure directorships are publicly accessible.”

Companies that meet criteria b) are hereafter described as “scheduled companies”.

- e. **Option 4** – Specify in secondary legislation the following ‘principle based’ exception to the prohibition in the primary legislation (preferred option):

“A company can only appoint (or retain) a corporate director where the latter a) has directors who are all-natural persons, and b) where all-natural person directors have verified their identity with Companies House.”

6. Monetised and non-monetised costs and benefits of each option (including administrative burden)

16. In estimating the costs and benefits of different measures we use more up to date estimates of populations affected than contained in the original IA. Further, we use the unit cost data gathered for the IA supporting the primary legislation but adjust it for changes in base year. For some options this will lead to differences in estimates compared to equivalent options set out in the IA supporting the primary legislation. The other points to note are:
- a. As per the IA supporting the primary legislation we assume 100% compliance.
 - b. We use very similar scenarios to the previous IA to estimate costs for high, low and best cases.
 - c. Also, whilst we present figures on the equivalent annual direct impact on business it should be noted that the measures set out in the original IA were proportionate and necessary to meet the UK’s international commitments and therefore out of scope of the business impact target that existed at the time.
 - d. The IA underpinning the primary legislation assumed that there would not be any recurrent costs from the ban on corporate directors. We will explore during the consultation period whether this is a reasonable assumption and whether any recurrent costs from the ban are likely to be material.
 - e. Unlike the IA underpinning the primary legislation we envisage that corporate memberships of LLP’s would continue to be permitted. The exclusion of LLPs has a significant impact on costs as they account for over 55% of all corporate directorships/memberships. Also, the number of corporate directorships of companies has fallen significantly. This means that the costs of options are substantially lower than a comparable option in the IA supporting the primary legislation. A comparison of the cost tables for a full prohibition as set out in the primary legislation IA and this IA is given in Annex B.

Table two: Change in number of corporate directors between 2013 and 2018

	Primary legislation (data as at 30 th June 2013)	Secondary legislation (data as at 31 st March 2018)
Corporate directorships of companies	47,200	39,500
Corporate memberships of LLPs	56,300	49,800
Total	103,600	89,300

Note: The difference in totals for June 2013 between this table and table one is due to delays in registering appointments. Appointments can be post-dated, and notification is often delayed. As the breakdown in this table was commissioned for the purposes of this IA it includes company directors who were in post on 30th June 2013 but had not then been notified to Companies House. Source: Companies House management information.

- f. The IA supporting the primary legislation included quantified benefits to the criminal justice system from bringing into scope of legal accountability those who control a director. As this measure is not included in the secondary legislation these benefits have been excluded from this IA.
- g. Option 3 includes costs that were not considered in the original IA. We assume that all companies with company directors who benefit from the exception would need to complete an additional section on the confirmation statement⁹ to Companies House stating that they remained eligible.

Option 0 – Do nothing – not passing the secondary legislation

17. Not passing the secondary legislation would mean that the primary legislation does not come into force. It is therefore equivalent in impact to repealing the primary legislation. The IA accompanying the primary legislation considered possible non-regulatory options to regulation to address opaque arrangements involving company directors and their potential problems. These included:

- a. The voluntary provision of information by companies was considered not to meet the policy objectives. Those benefitting from illicit activity through corporate directors would likely choose to not provide further information voluntarily.
- b. Another alternative to regulation is a campaign to promote the use of natural person directors. This is likely to be ineffective, and potentially perceived as ambiguous, since corporate directors are permitted in statute and so much of the landscape in which companies operate is set out in primary legislation.

18. The IA underpinning the primary legislation concluded that a prohibition on corporate directors was necessary to achieve the Government's policy objectives.

19. This option delivers no additional costs or benefits.

Option 1 – Specify no exception regime in secondary legislation, i.e. a complete prohibition of corporate directors for companies

20. This option assumes that the secondary legislation sets out no exceptions to the prohibition on corporate directors. It uses the same method to assess the costs and benefits as used in the Impact Assessment underpinning the primary legislation. Estimates of unit costs have been updated to 2017 prices, from 2013 prices, and costs are based on updated data on company numbers affected by the proposal.

⁹ The confirmation statement was introduced by the SBEE (2015) Act. It replaced the annual return and is an annual statement confirming that the company has delivered all the required information (basic company information such as the company's registered office, directors, people with significant control, share capital, shareholders) to the registrar.

Benefits

21. This option would reduce the use of opaque arrangements involving corporate directors and will help prevent crime through deterrence, enhancing corporate transparency and in some instances directly remove a mechanism used to facilitate crime. It should make apprehending criminals both cheaper and easier for law enforcement agencies. The consultation for the original *Transparency and Trust* package indicated strong support for action from law enforcement agencies. They reported that corporate opacity was a feature of much of the criminal activity they were seeking to combat and reducing it would support a reduction in crime.

22. Specific examples of benefits include:

- a. The avoidance of the costs of crime which include physical, financial and emotional damage to the victim, insurance costs, lost output and costs to the criminal justice system, including the police. The IA underpinning the primary legislation estimated that average cost of fraud was £500 per offence (excluding transfers) and £1400 per offence (including transfers)¹⁰.
- b. Increase the costs of criminal activity and therefore increase the deterrent effect.
- c. Investigations could potentially be expedited by potentially freeing up investigatory resource – because individuals behind companies are easier to trace.
- d. Opaque arrangements involving company directors reduce transparency. Economic theory suggests that that reduced transparency is likely to increase information asymmetries, imposing higher information collection costs, and reduce trust. Increasing transparency could facilitate greater trust in the business environment and greater economic growth.

23. The Impact Assessment supporting the primary legislation provided additional information on benefits which to avoid duplication is not reproduced here.

Costs

24. The drivers of cost are the number of companies affected and the unit costs of making a change. The costs are transitional and one off.

Number of companies affected

25. This option would mean that around 33,300 companies would no longer be able to have corporate directors on their boards. This would affect around 39,500 corporate directorships. Around 13,400 corporate entities¹¹ would be restricted from acting as a

¹⁰ 2013 prices, excludes costs of benefit fraud which is unlikely to be affected by this measure.

¹¹ Corporate entities include LLPs. Although LLPs would be permitted to have corporate members on their boards, they would be prohibited from being corporate directors on company boards.

corporate director. This basic analysis suggests that:

- a. Where a company has a corporate director on its board, there are on average 1.2 (39500/33300) corporate directorships on the board.
- b. Where a corporate entity uses corporate directorships it uses on average 3 corporate directors (39500/13400) i.e. the average user of corporate directorships uses them to represent its interests on three other boards.

Unit costs

26. The cost estimates are drawn from a survey of companies carried out by IFF Research in 2013. These were used to estimate costs in the primary legislation impact assessment. Full details of how the survey was carried out are set out in Annex A of that impact assessment.

27. The costs related to the policy change include:

- a. *Public sector costs* which arise from ensuring that companies are fully aware of the regulatory change. These are based on sending an email to all companies supplemented with website notices and guidance. Additional costs would be incurred to change Company House data systems¹².
- b. *Private sector costs*¹³ which are more substantial. They are one off and cover:
 - i. Staff time involved in removing and/or replacing a corporate director who sits on a company board. These costs are a mix of wage costs and legal costs and scale with the number of corporate directorships¹⁴.
 - ii. Staff time involved for companies who act as corporate directors on other company boards and who will either need to replace or remove these after the prohibition comes into force.
 - iii. Costs of any resulting reputational damage and loss of benefits after corporate directors are prohibited¹⁵. For the best and low scenarios, the original IA estimated that 73% of all companies with a corporate director on their board would suffer some form of disadvantage, reputational damage

¹² It is arguable that as Company House activities are funded on a non-profit basis by companies that these costs will fall on businesses. We have not adopted this approach in the IA but these costs are small and are not material.

¹³ Annex D of the original impact assessment sets out the methodology for estimating costs. See BIS (2014), 'Impact Assessment – Opaque Arrangements Involving Company Directors', Final Stage Impact Assessment of Part A of the Transparency and Trust Proposals (Company Transparency), https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/324712/bis-14-908a-final-impact-assessments-part-a-companies-transparency-and-trust.pdf

¹⁴ Companies were asked an open question about the processes they would have to go through in removing a corporate director. They were encouraged to identify tasks and estimate the time taken for each task and identify any additional (e.g. legal) costs.

¹⁵ The estimates in this paragraph are drawn from an IFF survey carried out in 2014. It asked companies that used and acted as Corporate Directors to estimate the negative impacts on their businesses from either loss of reputation or business disruption. It did not assess the loss of fee income from companies that provide Corporate Director services, but in the same way it did not count the reduction in expenditure by companies that purchase Corporate Director services. The costs in this paragraph are best thought of as the cost of any inefficiencies that arise from changing from corporate to natural person directors.

or disruption from the loss of the director. It also estimated that 2% of all companies that act as a corporate director would suffer some form of loss. For the high cost scenario all affected companies suffered some form of disruption.

- iv. The final set of costs relate to familiarisation costs. In the best and low-cost scenarios, we assume that all companies that have corporate directors on their board and all companies that act as corporate directors have to familiarise themselves with the legislation, whether they are excepted or not. For the high cost scenario, we assume, as per the IA underpinning the primary legislation, that all companies need to familiarise themselves with the legislation. This assumption appears to be rather unrealistic and leads to a wide, and arguably meaningless, range in cost estimates. We will work with the Regulatory Policy Committee (RPC) to review this assumption.

28. Based on the above, the costs of this option are:

Table three: cost estimates of option 1

No exception - new population, base year updated to 2017									
	High			Best			Low		
	No	Unit cost	Cost	No	Unit cost	Cost	No	Unit cost	Cost
Related to corporate director ban									
Public sector costs			0.05			0.05			0.05
Replacement costs for companies with a corporate director	39,500	373	15	39,500	172	7	39,500	143	6
Replacement costs for corporate entities acting as a corporate director	39,500	193	8	39,500	92	4	39,500	75	3
Reputational damage for companies with corporate directors	33,300	308	10	24,304	205	5	24,304	101	2
Reputational damage for corporate entities acting as corporate directors	13,400	275	4	264	143	0	264	11	0
Familiarisation costs for corporate directors	3,965,280	73	291	46,700	31	1	46,700	21	1
Total £m (2017)			327			17			12

Source: Companies House, BEIS calculations. Cost calculated as number affected multiplied by unit cost. Note: replacement costs scale with the number of corporate directorships; but reputational damage is assumed to scale with the number of corporate entities.

Option 2 – Prohibiting the use of corporate directors with exemptions for certain categories of company

29. The IA underpinning the primary legislation suggested a range of possible exceptions that the Secretary of State might make, subject to the approval of Parliament. The IA considered a scenario which included exemptions from the prohibition from corporate directors in the following cases:

- a. Where the parent company is listed on an EU regulated market,
- b. Where the parent company is a sufficiently large private company in a group structure,
- c. Charitable company,

d. Pension companies.

Companies which would be potentially in scope would be smaller companies outside the charity and pension sectors which constitute the vast majority of companies registered at Companies House¹⁶.

30. We use these cases to estimate the impact of a possible exception. The Government's consultation in 2014 received additional recommendations for exceptions from respondents, including for sectors such as: Corporate Service providers, Property Management companies, Life Assurance companies and minority investments in start-up companies. The wide range of additional requests for exemptions illustrates a potential difficulty with using sector for the basis of the exceptions regime. A sector is not a good indicator of the potential use of opaque arrangements for illegitimate purposes by companies. In addition, it is likely that an exceptions regime which sought to cover a broad range of sectors would make the exceptions regime unwieldy, complicated for business to navigate and be unfit for purpose.

Benefits

31. The benefits under option 2 would initially be broadly the same as the benefits under option 1 as relatively few companies will be excepted. It is likely therefore that the prohibition would retain a significant deterrent effect and that this option would continue to send a strong signal of the need for greater corporate transparency.

32. However, one risk with this option is that it may encourage criminals to use corporate forms where they are permitted to use corporate directors to hide their identity. Overtime the benefits of this option may diminish relative to a complete prohibition.

Costs

Number of companies affected

33. The table below estimates the number of companies under each of the proposed exceptions using estimates from the FAME database. As per the IA underpinning the primary legislation, we assume that the incidence of corporate directors is spread uniformly across the business population and use the average share of companies with corporate directors (0.8%) and the average share of companies which are (i.e. act as) corporate directors (0.3%), to estimate the number of companies that would be eligible for exception.

Table four: estimates of the numbers of companies in scope under option 2

	Total number of companies	Estimated number of companies with corporate directors on their board (0.8%)	Estimated number of corporate entities acting as corporate directors (0.3%)

¹⁶ According to business population statistics the vast majority (over 99%) of companies are small, i.e. with less than 250 employees. <https://www.gov.uk/government/statistics/business-population-estimates-2017>

Listed and group structure	600 ¹⁷ , plus 30,000 subsidiaries	5 plus 240 subsidiaries	2 plus 90 subsidiaries
Charity	43,000 ¹⁸	340	130
Pension funding	1600 ¹⁹	15	5
Private and Group structure	16,500 ²⁰ , plus 56,200 subsidiaries	130 plus 450 subsidiaries	50 plus 170 subsidiaries
Total	61,600 ²¹ , plus 86,300 subsidiaries	500 plus 700 subsidiaries	180 plus 260 subsidiaries

Note: figures exclude LLPs, figures rounded to nearest 100. Fame data accessed 23rd April 2018, BEIS calculations.

34. Based on the above, this option implies:

- a. Around 1,200 exemptions for companies with a corporate director, or around 3.6% of all companies with corporate directors.
- b. Around 400 exemptions for corporate entities acting as a corporate director or around 3% of corporate entities acting as a corporate director.

Total number of companies in scope

35. The table below summarises the number of companies that use corporate directors, the numbers of corporate entities that act as corporate directors and the impact of exemptions:

Table five: comparison of the numbers of companies and corporate directors in scope of options 1 and 2

	Number of companies with corporate directors on their board	Number of corporate entities acting as corporate directors	Number of corporate directorships
Numbers in scope under option 1	33,300	13,400	39,500
Exemption	1,200	400	1,400 ²²
Numbers in scope under option 2	32,100	13,000	38,100

Unit costs

¹⁷ Includes companies listed on a regulated market and files groups accounts.

¹⁸ Charities are categorised as per the original IA, i.e. under SIC (2007) codes: 87.200, 87.300, 87.900, 88.100, 88.910, 88.990.

¹⁹ Companies classified under SIC (2007) 65.300.

²⁰ Includes companies that are classified as private and files group accounts.

²¹ Does not sum to total of components as the components overlap. The total therefore excludes any potential for double counting. Also, totals may not equal sum of components due to rounding e.g. subsidiaries.

²² There are around 39,500 corporate directors or corporate members on 33,300 boards giving, on average, 1.2 corporate directors/members per board. We use this ratio to estimate the number of corporate directors that are exempted.

36. We use the same unit costs as option 1 as the only difference between this option and option 2 is the number of companies in scope. The costs under this option are:

Table six: cost estimates under option 2

Exception for selected company types - new population, base year updated to 2017									
	High			Best			Low		
	No	Unit cost	£m	No	Unit cost	£m	No	Unit cost	£m
Related to corporate director ban									
Public sector costs			0.05			0.05			0.05
Replacement costs for companies with a corporate director	38,100	373	14	38,100	172	7	38,100	143	5
Replacement costs for corporate entities acting as a corporate director	38,100	193	7	38,100	92	4	38,100	75	3
Reputational damage for companies with corporate directors	32,100	308	10	23,423	205	5	23,423	101	2
Reputational damage for corporate entities acting as corporate directors	13,000	276	4	269	143	0	269	12	0
Familiarisation costs for corporate directors	3,965,280	73	291	46,700	31	1	46,700	21	1
Total £m (2017)			325.6			16.4			11.7

Source: Companies House, BEIS calculations. Cost calculated as number affected multiplied by unit cost. Note: replacement costs scale with the number of corporate directorships; but reputational damage is assumed to scale with the number of corporate entities.

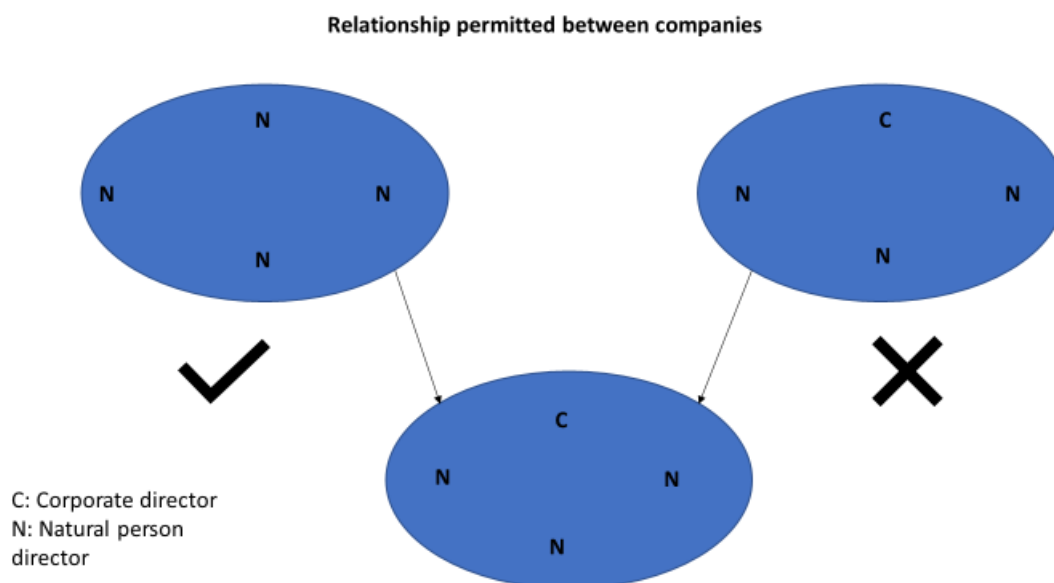
37. So, compared to option 1 which costs £17m (in the best case), this option produces a saving of £1m in one off costs.

Option 3 – Prohibiting corporate directors with a principles-based exception and equivalence for scheduled companies

38. Option 2 provides exceptions based on types of company, but it penalises legitimate companies' use of corporate directors if they fall outside the excepted company definitions. Feedback from the consultation process illustrated that the benefits of corporate directors extended beyond the narrow list of exceptions set out in option 2, to include for example special purpose vehicles, corporate service members, property management companies and life assurance companies. Based on this feedback we considered that the approach of specific exemptions would make the exceptions regime too unwieldy and costly for businesses to understand. We therefore developed a different option – a principles-based approach - to achieve the aims of the policy: increased transparency.

39. The principles-based approach under option 3 would allow a company to only appoint (or retain) a corporate director if the board of the corporate director is entirely comprised of 'natural' persons and those directors are listed on a public register of directors. The company that has a director which is not a natural person would be responsible for ensuring that every person on that director's board is a natural person. Should, after the transition period, a company with a corporate director determine that the board of the corporate director includes non-natural persons then the corporate director would need to

cease their directorship with immediate effect. Permitted and non-permitted relationships between companies are illustrated in the figure below.



40. However, in this IA we assume that LLP's would not be permitted to be a corporate director on a company board. The 2015 consultation considered extending the exception to cover other types of legal entity, so that, for example, LLPs might be permitted to act as corporate directors of companies. The then Government concluded that such an extension would undermine the prohibition of corporate directors unless there were a requirement that all partners of LLPs be natural persons. The current consultation leaves it open that LLP's might be permitted to be a corporate director provided certain conditions are met.

41. Scheduled companies²³ would be permitted to act as corporate directors of UK registered companies as the countries in which they reside are required to maintain the equivalent degree of transparency which is necessary to deliver the policy aim.

42. Non-scheduled companies would be prevented from acting as corporate directors. Although the countries in which the companies reside might have transparent registers and robust enforcement regimes, the countries aren't necessarily under any obligation to do so and we would need to monitor them in case there was any change to their transparency. In practice the number of non-scheduled companies caught by the prohibition is likely to be small (see paragraph 51c) and we judge the impact on foreign investment is likely to be minimal (see paragraph 59).

Benefits

43. The benefit of this approach is that it targets risky behaviour more directly. Individuals who seek to hide their ownership of companies through multiple layers of corporate

²³ Scheduled companies meet criteria b in paragraph 14d) i.e. is of a type contained within a prescribed list of corporate entities subject to transparency requirements which ensure directorships are publicly accessible.

directorships would be prevented from doing so. It also makes it less likely that law-abiding companies will be penalised by the prohibition as they can use corporate directors for legitimate purposes (see paragraph 12).

Costs

Number of companies affected

44. To estimate the number of companies affected we have used Companies House management information to classify companies into different categories to estimate the impact of exemptions.

Companies with a corporate director on their board

45. In this section we are interested in the impact of the exception on companies with a corporate director on their board. A company may only retain or appoint a corporate director provided that the board of the corporate director is entirely composed of natural persons. Based on the Companies House data we estimate that:

- a. There are around 21,100 companies with a corporate director where the corporate director is an entity with a board entirely composed of natural persons. These companies account for around 24,800 corporate director appointments.
- b. There are around 2,100 companies with a corporate director where the corporate director is an entity with a board with at least one corporate director. These companies account for around 2,300 corporate director appointments.
- c. There are around 10,100 companies with a corporate director where it is not known whether the corporate director reports to a board with a corporate director or not. These “don’t knows” account for around 12,400 corporate director appointments.

46. To produce the above estimates Companies House matched the director appointment table with the company register. Don’t knows arise where the match is imperfect. We believe this is largely because when names of companies change on the company register it does not automatically lead to a change in the appointment table. Also, the match is made using company names and small changes in spelling or spaces can lead to a match not being reported even where one exists.

47. To capture the uncertainty caused by the matching process we develop 3 scenarios for modelling costs. These are:

- a. A high-cost scenario where we assume that all the unknown corporate directors are entities with a board with at least one corporate director.
- b. A best case where we assume that the unknown corporate directors are distributed in proportion to the known corporate directors. So, 21,100/23,200 or 91% of the 10,100 unknown companies in paragraph 42c) are assumed to have a

corporate director where the corporate director is an entity with a board entirely composed of natural persons.

- c. A low-cost scenario where all the unknown corporate directors are entities with a board comprised entirely of natural persons.

48. Based on this analysis we estimate the following numbers of companies affected:

Table seven: Number of companies with a corporate director affected by the prohibition or eligible for exception under option 3

	High cost	Best	Low cost
Companies with a corporate director, of which:	33,300	33,300	33,300
The corporate director is an entity with a board entirely comprising of natural persons	21,100	30,300	31,200
The corporate director is an entity with a board with at least one corporate director	12,200	3,000	2,100

Note: Rounded to the nearest 100, totals may not sum due to rounding. Source: Companies House, BEIS calculations.

49. To estimate the distribution of corporate directorships across each category we multiply the number of companies by the average number of corporate directors per company (i.e. 1.2)²⁴. This gives the following distribution of corporate directorships:

Table eight: Number of corporate directorships affected by the prohibition or eligible for exception under option 3

	High cost	Best	Low cost
Number of corporate directorships, of which:	39,500	39,500	39,500
The corporate directorship belongs to an entity with a board entirely comprising of natural persons	25,000	36,000	37,000
The corporate directorship belongs to an entity with a board with at least one corporate director	14,500	3,600	2,500

Note: Rounded to the nearest 100, totals may not sum due to rounding. Source: Companies House, BEIS calculations.

²⁴ This is reasonable as there is little difference in average number of corporate directors per company for the different categories i.e. those with natural persons as a director, those with at least one corporate director and those with unknown board composition.

Companies acting as a corporate director

50. In this section we are interested in the impact of the exception on entities that acts as a corporate director on a company board.

51. Analysis of Companies House data suggests that there are around 13,400 UK registered corporate entities which act as corporate directors of UK companies. Of these:

- a. There are around 6,600 corporate entities where the composition of the company board and the type of corporate entity is known.
- b. There are around 6,800 corporate entities where because of the matching process the composition of the company board and the type of corporate entity is unknown.

52. The totals in paragraph 50a. can be broken down further:

- a. As per paragraph 39, we assume that LLP's would not be permitted to act as corporate directors of UK companies. Our data suggests that there are around 200 of these which currently act as corporate directors of UK companies.
- b. UK and scheduled companies, i.e. not LLPs:
 - i. There are around 600 UK companies and a further 5,300 scheduled companies which have a company board comprised entirely of natural persons and who are a corporate director on a UK company board. These would be eligible to continue acting as corporate directors.
 - ii. There are around 80 UK companies and a further 400 scheduled companies which have at least one corporate director on their board and who are a corporate director on a UK company board. These would not be eligible to continue acting as a corporate director.
- c. There are around 20 non-scheduled companies which would not be permitted to act as corporate directors of UK companies.

53. To capture the uncertainty caused by the matching process we develop 3 scenarios, analogous to those in paragraph 46 for modelling costs associated with the corporate entities in para 50b.

54. Based on this analysis we estimate how companies would be affected by the prohibition and the exception regime:

Table nine: Number of companies who act as corporate directors who are affected by the prohibition or eligible for exception under option 3

Corporate entities which are corporate directors on a company board			
	High	Best	Low
Eligible to have a seat on another companies board	5896	11999	12,717
Ineligible to have a seat on another companies board	7515	1412	694

Source: Companies House, BEIS calculations.

Unit costs

55. We use the same unit costs as option 1 but also include an allowance for the additional costs of providing more information on the confirmation statement which needs to be completed every year. The costs under this option are:

a. Non-recurrent:

Table ten: non-recurrent cost estimates under option 3

	Principles based exception								
	High			Best			Low		
	No	Unit cost	£m	No	Unit cost	£m	No	Unit cost	£m
Related to corporate director ban									
Public sector costs			0.05			0.05			0.05
Replacement costs for companies with a corporate director	14,516	373	5	3,571	172	1	2,484	143	0
Replacement costs for corporate entities acting as a corporate director	14,516	193	3	3,571	92	0	2,484	75	0
Reputational damage for companies with corporate directors	12,219	308	4	2,194	205	0	1,526	101	0
Reputational damage for corporate entities acting as corporate directors	7,515	276	2	28	143	0	14	12	0
Familiarisation costs for corporate directors	3,965,280	73	291	46,700	31	1	46,700	21	1
Total £m (2017)			304.6			2.8			1.7

Source: Companies House, BEIS calculations. Cost calculated as number affected multiplied by unit cost. Note: replacement costs scale with the number of corporate directorships; but reputational damage is assumed to scale with the number of corporate entities.

b. Recurrent, annual: These relate to providing additional information on the confirmation statement. A company eligible for the corporate director exception would need to confirm with the company represented by the corporate director that it had only natural persons on its board. We assume that two senior managers, representing each company might need to spend 0.25 hour²⁵ each per year confirming the corporate director's status. This estimate is likely to be however at

²⁵ We assume that this is the time required for a company secretary to request information from their counterpart in the company acting as a corporate director. The latter may need to consult a document and reply.

the high end and the time taken could be substantially less. The cost for this is therefore:

Number of excepted corporate directorships x number of managers to confirm x wage rate²⁶ x uplift²⁷ x hours:

Table eleven: recurrent cost estimates under option 3

	Number of excepted directorships	Number of managers	Wage rate	Uplift	Hours spent	Total recurrent annual cost £m (2017)
High	25,008	2	£61.53	1.207	0.25	0.93
Best	35,953	2	£61.53	1.207	0.25	1.33
Low	37,040	2	£61.53	1.207	0.25	1.37

The IA underpinning the primary legislation did not consider the scope for recurrent costs for the equivalent options to options 1 and 2 above. We will explore the potential for these during the consultation period²⁸.

Option 4 – Prohibiting corporate directors with a principles-based exception and ID verification for Directors

56. Option 3 addresses the policy problem in a more targeted way, but it carries a degree of legal risk. In that it is likely that the requirement to be a scheduled company would favour companies based in the EEA. This is because transparency policies in the UK and EEA are very similar, given that the UK was a member of the EU. It is therefore likely that having a requirement that favours EEA companies is a breach of WTO most favoured nation (MFN) trading rules.

57. In addition, option 3 does not take into account wider policy developments. The Government's goal is to ensure that all directors have their identified verified before they can be registered at Companies House. The Government's intention to introduce these reforms, which require primary legislation, were announced on 18th September 2020. This followed a consultation which demonstrated widespread support for verification from 91% of consultees. And 81% of respondents agreed with the proposal for mandatory identity verification of directors, recognising it to be essential for effective implementation of the verification policy²⁹.

58. The introduction of ID verification for directors means that the goal of greater transparency for corporate directors can be achieved by:

²⁶ We use the 75th percentile of SOC 111 which gives an hourly wage rate of £61.53.

²⁷ An uplift of 20.66% is applied to cover non-wage labour costs.

²⁸ The administrative costs are probably not material. Analysis for the Company Filing Requirements – Red Tape Challenge Impact Assessment suggested that it might take up to 7 minutes to complete the annual return, the predecessor to the confirmation statement, which included a section on Directors details <https://www.gov.uk/government/publications/company-filing-requirements-impact-assessments>. More fundamental are likely to be reduced costs of flexibility – e.g. inability to send the right expert, at short notice, to a Board meeting.

²⁹ BEIS (2020), Corporate Transparency and Register Reform: Government response to the consultation on options to enhance the role of Companies House and increase the transparency of UK corporate entities, September 2020.

- a. As per option 3, a company would only be able to appoint or retain a corporate director if the board of the corporate director is entirely comprised of natural persons; and
- b. That the natural persons sitting on the board of the corporate director have submitted to ID verification by Companies House.

As per paragraph 39, we assume that LLPs would not be permitted to be a corporate director on a company board.

Benefits

59. The benefits of this approach are likely to be greater than those under option 3 as not only does it target risky behaviour more directly, but it would provide companies that would have been unscheduled with the opportunity to be a corporate director provided their directors were natural persons and met the ID verification requirements. This means that fewer law abiding companies would be penalised by the prohibition.

Costs

Number of companies affected

60. The number of companies affected by the prohibition are the same as the estimates provided for option 3. The principles-based approach is unchanged, that is a company may only appoint (or retain) a corporate director if the board of the corporate director is entirely comprised of natural persons. From our analysis in previous paragraphs we know that:

- a. Between 2,100 and 12,200 companies who have a corporate director where the corporate director is an entity with a board with at least one corporate director.
- b. And that these companies account for between 2,500 to 14,500 corporate directorships.
- c. Between 700 and 7,500 corporate entities which are corporate directors on a company board would be ineligible under the principles-based approach.

Unit costs

61. We use the same unit costs as option 3, though under this option there are no *additional* recurrent costs as we set out below.

62. As the number of companies caught by the prohibition is the same as option 3, the non-recurrent costs of the prohibition, e.g. familiarisation costs, replacement costs and costs of reputational damage are the same as under option 3 (Table 10).

63. Under this option there are no additional recurrent costs. This is for the following reasons:

- a. When the Government introduces ID verification for directors it will do so for all UK incorporated directors and not just those directors who are on the board of company which is eligible to be a corporate director. To avoid double counting the costs of ID verification we believe the costs of ID verification should not be included in this IA. Rather the best place to consider the costs would be in the IA covering ID verification measures.
- b. It could be argued that the costs of ID verification might deter eligible corporate directors from maintaining their corporate directorships and therefore the non-recurrent costs are under-estimated. This risk is most likely for natural person directors on an overseas entity who have a choice whether to verify their identity at Companies House or not. Failure for a UK director to verify their identity would mean their directorship could not be registered at Companies House and they would cease to be eligible to be a director.
- c. We think it unlikely that legitimate corporate directors would be deterred. The government expects that most verifications will be conducted through digital processes and that for most individuals this process will take a matter of minutes. Given the replacement and reputational costs avoided for corporate directors by ID verification we think that legitimate natural person directors will opt to verify their identity.

7. Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

64. The analytical approach taken in this IA is proportionate for the following reasons:

- a. It uses data gathered through research and consultations carried out for, and set out in, the IA underpinning the primary legislation. It also uses the same basic methodology.
- b. The data on unit costs used in the previous IA remains the best available as the primary legislation is not yet in force (because the exemption has not been set out in secondary legislation).
- c. Data on populations affected has been updated to reflect changes in the incidence of corporate directors.
- d. The methodology was approved by the Regulatory Policy Committee who rated the IA supporting the primary legislation as fit for purpose, i.e. Green³⁰.
- e. Some of the assumptions underpinning the original IA have changed to reflect developments in policy since the primary legislation was passed.

³⁰ <https://www.gov.uk/government/publications/impact-assessment-opinion-transparency-trust-company-directors-and-opacity-of-corporate-control>

8. Risks and assumptions

65. Following standard IA methodology, we have assumed 100% compliance. There is however a risk of non-compliance resulting in an impact on the justice system. This is considered more fully in the wider impacts section.
66. There is a risk that the benefits from a reduction in criminal activity will not be as large as we anticipated in the IA underpinning the primary legislation or that companies may find ways to hide their involvement in a company. Given the uncertainties these benefits have not been included in the cost benefit analysis justifying the proposal. The Government believes that the measure, once the exemption is included, gives a proportionate approach to tackling illicit activity through use of corporate directors.
67. Other inherently uncertain benefits – cited in the original IA – have not been included in our cost benefit analysis. These include the relationship between trust and economic growth and the impact on crimes such as money laundering. The IA underpinning the primary legislation did however quantify the benefits from a possible reduction in fraud which were potentially significant.
68. The IA underpinning the primary legislation set out a potential risk that the prohibition on corporate directors could have an impact on foreign investment. The IA stated that the effect was probably small when set within the context of the wider factors that influence foreign investment decisions. Moreover, the Government would promote this measure as part of a wider package of measures that contributes to a positive UK business environment whilst continuing to encourage action from other jurisdictions. Finally, the Government believes that its principles-based exemption would continue to permit legitimate business activities meaning that there is unlikely to be any impact on inward investors.

9. Wider impacts

Statutory Equality Duties

69. This policy will primarily impact companies. On analysing the potential impacts, we have no reason to anticipate a disproportionate impact based on the key measures highlighted in the Equalities Act 2010. For instance, we have no reason to believe that companies that use corporate directors currently disproportionately involve women, older people or any other group.
70. Overall, we have no reason to suspect that the following groups will be adversely or positively impacted by this policy in different ways:
- Race Equality;
 - Gender;
 - Disability;
 - Age;
 - Marriage and civil partnership;

- Religion and Belief;
- Sexual Orientation;
- Gender Reassignment; and
- Pregnancy and Maternity.

71. We therefore do not anticipate any equalities impact (see Annex C).

Economic Impacts

Competition Impact Test:

72. We do not expect this policy to give rise to any competition impacts.

Small and Micro Business Assessment (SaMBA):

73. For the purposes of this assessment, the parameter used to define small businesses is up to 49 full-time employees, and for micro businesses up to 10 employees.

74. As set out above, the two main objectives of the primary legislation were to reduce crime and improve the business environment so as to facilitate economic growth. We assess that excluding small and micro businesses from the policy package could risk a significant impact on the ability of the package to reduce crime; and exclude small and micro businesses from the benefits that can be derived from increased transparency.

75. This policy will apply to all UK incorporated companies. It will require change from those who currently have or act as corporate directors. There is a default assumption across government that small and micro businesses³¹ should be exempted from new regulatory measures. However, our assessment reveals that such an exemption is not viable in this policy context, and not compatible with achieving a large part of the intended benefits of this measure.

76. It has been widely identified that ‘shell’ companies are often the vehicle of choice for money-laundering and other crimes³². A 2012 study defines a shell company thus: “In contrast to operating or trading companies that have employees who make a product or provide a service [...] shell companies are little more than this legal identity, and hence the “shell” moniker”³³. As non-trading bodies, shell companies would not require staff and would fall in the micro firm size bracket. Law enforcement have strongly confirmed to us that this is the case, and that excluding small and micro businesses from scope would be a significant risk and ultimately counterproductive. Internationally, the USA G8 Action Plan considers targeting small and micro business for selective **inclusion** in scope of company beneficial ownership transparency, and considering larger businesses for exemption where they meet “certain employee or revenue requirements.”

31 For the purposes of this assessment, the parameter used to define small businesses is up to 49 full-time employees, and for micro businesses up to 10 employees.

32 ‘Global Shell Games: Testing Money Launderers’ and Terrorist Financiers’ Access to Shell Companies’, Findley, Nielson and Sharman, 2012: <http://www.griffith.edu.au/business-government/centre-governance-public-policy/research-publications/?a=454625>

33 ‘Global Shell Games: Testing Money Launderers’ and Terrorist Financiers’ Access to Shell Companies’, Findley, Nielson and Sharman, 2012: <http://www.griffith.edu.au/business-government/centre-governance-public-policy/research-publications/?a=454625>

77. Allowing any exceptions targeted at small and micro business could therefore have a negative impact on the primary derived benefit from this policy, in terms of a failure to tackle or deter any illicit activity undertaken through existing UK incorporated companies currently on the register. Excepting small and micro businesses from the requirement would create a significant loophole for those seeking to exploit the company structure for illicit activity in future. In turn, this could damage the reputation of UK business, particularly small and micro businesses relative to their larger and / or international competitors.

78. Moreover, any exception for small companies would limit the positive impact on the wider building of trust in the business environment - and therefore economic growth. Were they to be exempted from these transparency requirements, information asymmetries could persist and law-abiding businesses might find themselves, for instance, less able to attract private investment or debt finance.

79. With these points in mind, our assessment against the advised considerations is as follows:

Table twelve: SAMBA

Factor	Consideration
<i>Full exemption</i>	We do not believe a full exemption is compatible with achieving crime reduction benefits; and would reduce benefits derived from a more open and trusted business environment.
<i>Partial exemption</i>	We have not identified any specific requirements within the proposals from which we would be able to exempt small and micro businesses. We do not believe any exemption is compatible with achieving a large part of the intended benefits.
<i>Extended transition period</i>	We do not believe a separate transition period for small and micro companies is compatible with achieving a large part of the intended benefits. The primary legislation sets out a transition period for all companies that should be sufficient for a well-supported process of familiarisation and transition.
<i>Temporary exemption</i>	We do not believe a temporary exemption for small and micro companies is compatible with achieving crime reduction benefits, not least because anonymous shell companies are a specific focus of our proposals. Exempting them could therefore provide a means for illicit activity to continue unnecessarily.
<i>Varying requirements by type and/or size of business</i>	As small, anonymous shell companies are a focus of our proposals it would not be appropriate to vary the requirements for small and micro companies. It would also not be appropriate to delineate by sector or any other type of business, since this would produce the same issues in terms of incomplete coverage and loopholes. This would not be compatible with achieving a large part of our intended benefits. Where possible, we have sought to use existing precedents which apply to all UK companies.

<i>Direct financial aid for smaller businesses</i>	We do not believe that the costs of complying with this policy change per warrant direct financial aid.
<i>Opt-in and voluntary solutions</i>	We have considered and discounted non-regulatory approaches in our Impact Assessment, given the nature of the criminal activity we seek to address. We do not believe that small and micro companies engaging voluntarily would be a viable solution or compatible with achieving a large part of our intended benefits.
<i>Specific information campaigns/ user guides, training & dedicated support for small businesses</i>	There might well be a case for tailored information campaigns and user guides, though training is not likely to be required. We will work on meeting the needs of the small and micro business user as we develop overall guidance to support the introduction of the package, and as part of the Government's wider communications campaign.

80. In taking forward these policy objectives, we will:

- a. Tailor guidance for the reforms to most of companies, which are small, simple in structure and law-abiding. This will enable small companies to quickly grasp whether the prohibition of corporate directors is relevant to them and it will help them to easily assimilate the compliance requirements where they do apply.
- b. Implement the policy change to be as simple as possible for all users but particularly those in small and micro businesses, in terms of interfaces and forms etc.
- c. We will ensure there is sufficient time for companies to familiarise themselves with these changes. The primary legislation sets out that companies have 12 months after the regulation comes into force to comply with its provisions.

Environmental Impacts

81. The regulations are not expected to have an impact on the environment.

Rural areas and sustainable development

82. The regulations are not expected to have a disproportionate impact on rural areas or sustainable development.

Social Impacts

Health and Well-Being:

83. The regulations are not expected to have an impact on health or well-being, although as the IA underpinning the primary legislation noted there are likely to be benefits related to a reduction in crime and the associated benefits of an increase in well-being. There are unlikely to be significant impacts on safety at work, skills and education or community facilities.

Human Rights:

84. The regulations are not expected to have any human rights impact.

Justice System:

85. Following standard IA methodology this IA assumes 100% compliance with the policy. The primary legislation extended the application of existing company law offences or use existing company law offences as a precedent for the creation of similar offences to deal with instances where companies or individuals fail to provide beneficial ownership information; or deliberately provide false information. The exemptions set out in secondary legislation target cases considered most at risk from illegality.

86. We anticipate however that most instances of non-compliance, particularly with relation to the reforms to the use of corporate directors, would be dealt with by Companies House through their usual compliance procedures. For example, Companies House estimate that in 85-90% of cases they write to the company in the first instance, before referring the matter to BEIS or other enforcement agencies or acting themselves.

Family Test

87. The DWP Family Test³⁴ sets out the following questions from officials to consider during policy-development.

- What kinds of impact might the policy have on family formation?
- What kind of impact will the policy have on families going through key transitions such as becoming parents, getting married, fostering or adopting, bereavement, redundancy, new caring responsibilities or the onset of a long-term health condition?
- What impacts will the policy have on all family members' ability to play a full role in family life, including with respect to parenting and other caring responsibilities?
- How does the policy impact families before, during and after couple separation?
- How does the policy impact those families most at risk of deterioration of relationship quality and breakdown?

88. The regulations outlined in this impact assessment do not give rise to any direct or indirect impacts for families relating to any of the above questions.

Devolved Administration Assessment

³⁴ DWP (2014), The Family Test: Guidance for Government Departments, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368894/family-test-guidance.pdf

89. Wales has a disproportionate share of corporate directors compared to other parts of the UK. It therefore bears a disproportionate amount of the costs of a prohibition and should disproportionately benefit from a principles-based exception.

Table thirteen: corporate directorships by country

	Corporate directorships	Total directorships	%
England	34,336	5,978,926	0.6%
Wales	3,530	256,638	1.4%
Scotland	1,273	362,492	0.4%
Northern Ireland	385	119,350	0.3%
UK	39,524	6,717,406	0.6%

Source: Companies House, BEIS calculations. Excludes corporate memberships of LLPs.

10. Summary and preferred option with description of implementation plan

90. The preferred option is therefore to pursue the prohibition of corporate directors but permit a principle-based exception. Based on this analysis, this option performs better than the other options in terms of having lower quantified transition costs. The below table compares the costs and benefits of the policy options.

Table fourteen: summary of costs and benefits

Cost/ Benefit	Option 1 (blanket prohibition)	Option 2 (prohibition with exceptions based on company types)	Option 3 (principle based/scheduled company equivalence)	Option 4 (principle based/ID verific'n)	Which option is performs better?
Benefit					
B1. Benefits to government, individuals and business of a reduction in illicit activities	Non-monetised	Non-monetised	Non-monetised	Non-monetised	N/A
B2. Benefits to affected companies, individuals and other companies associated with increased economic activity arising from increased transparency	Non-monetised	Non-monetised	Non-monetised	Non-monetised	N/A

Costs					
Public sector costs	£51,500	£51,500	£51,500	£51,500	Tie
Present value of costs (best case)	£17m	£16m	£13m	£3m	Option 4

91. This policy change requires secondary legislation. It is therefore our intention to take forward this policy as soon as Parliamentary time allows.

Annex A: Impact assessment accompanying the SBEE Act

1. The IA for the primary legislation containing provisions on corporate directors set out three options:
 - a. **Option 0 or do nothing.** This was rejected because it would not meet the Government's objectives. The Government also considered voluntary provision of information in relation to individuals within corporate directors as an alternative to regulation. This was also rejected since voluntary action would not restrict the activities of those using corporate opacity to facilitate illicit activity.
 - b. **Option 1:** A complete prohibition of corporate directors.
 - c. **Option 2 (preferred):** A prohibition of corporate directors in primary legislation with exceptions from the prohibition set out in regulations. These exceptions could apply to those companies which are subject to wider transparency requirements or regulation, and those which commonly benefit from the appropriate use of corporate directors.

2. The IA set out the costs and benefits of options 1 and 2 evaluated against the do-nothing baseline. The table below sets out the costs and benefits of each option. The estimates are as they appear in the original IA underpinning the primary legislation and have not been adjusted for size of population affected or change in base year for prices.

Costs and benefits as set out in primary legislation Impact Assessment		
Base year for prices Best scenario	2013 Option 1 No exemption	Option 2 Exemption based on type of company
Related to corporate director ban		
Public sector costs	0.1	0.1
Replacement costs for companies with a corporate director	16.0	16.0
Replacement costs for companies acting as a corporate director	9.0	8.0
Reputational damage for companies with corporate directors	9.0	9.0
Reputational damage for companies acting as corporate directors	0.2	0.2
Familiarisation costs for corporate directors	4.0	4.0
Related to holding those accountable who control directors		
Costs for companies with directors controlled by another person	2.0	2.0
Familiarisation costs for those who control company directors	11.0	11.0
Total	51	50

Note: Includes LLPs.

3. However, the IA underpinning the primary legislation contained two provisions: a prohibition on corporate directors and measures to make those who control corporate directors more accountable. The latter, which account for around a quarter of the costs in the original IA, have already been implemented, are not covered by the secondary legislation and are therefore excluded from the cost estimates in the main body of the IA.

Annex B: Comparison of option 1 using volume data from primary and secondary IAs

£m 2017 prices	No exception - old population covered in primary legislation IA								
	High			Best			Low		
	No of companies	Cost per company	Cost	No of companies	Cost per company	Cost	No of companies	Cost per company	Cost
Related to corporate director ban									
Public sector costs			£ 0.05			£ 0.05			£ 0.05
Replacement costs for companies with a corporate director	100,200	373	37	100,200	172	17	100,200	143	14
Replacement costs for companies acting as a corporate director	100,200	193	19	100,200	92	9	100,200	75	8
Reputational damage for companies with corporate directors	67,000	308	21	48,900	205	10	48,900	101	5
Reputational damage for companies acting as corporate directors	76,000	275	21	1,500	143	0	1,500	11	0
Familiarisation costs for corporate directors	3,190,000	73	234	143,000	31	4	143,000	21	3
Total £m			332			41			30

	No exception - new population, base year updated to 2017								
	High			Best			Low		
	No	Unit cost	Cost	No	Unit cost	Cost	No	Unit cost	Cost
Related to corporate director ban									
Public sector costs			0.05			0.05			0.05
Replacement costs for companies with a corporate director	39,500	373	15	39,500	172	7	39,500	143	6
Replacement costs for corporate entities acting as a corporate director	39,500	193	8	39,500	92	4	39,500	75	3
Reputational damage for companies with corporate directors	33,300	308	10	24,304	205	5	24,304	101	2
Reputational damage for corporate entities acting as corporate directors	13,400	275	4	264	143	0	264	11	0
Familiarisation costs for corporate directors	3,965,280	73	291	46,700	31	1	46,700	21	1
Total £m (2017)			327			17			12

EQUALITY ANALYSIS

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Date: 22 October 2020

Scope

This document records the analysis undertaken by the Department for Business, Energy and Industrial Strategy (BEIS) to fulfil the requirements of the Public Sector Equality Duty (“the equality duty”) as set out in section 149 of the Equality Act 2010. This requires the department to pay due regard to the need to:

- i. eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- ii. advance equality of opportunity between people who share a protected characteristic and those who do not.
- iii. foster good relations between people who share a protected characteristic and those who do not.

The protected characteristics which should be considered are:

- age
- disability
- gender reassignment
- marriage or civil partnership³⁵
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation.

³⁵ In relation to the protected characteristic of marriage and civil partnerships the Department is required to have due regard only to point (i).

Proposal Outline

The proposal assessed in this Equalities Impact Assessment aims to address the scope for abuse in the current legal framework which allows opaque arrangements involving corporate directors, whilst permitting legitimate business activities to continue. In doing so we anticipate that the chosen option will contribute to reducing crime and improving the business environment and ultimately should help facilitate economic growth in the UK.

A “corporate director” or “corporate directorship” is a situation where a company or a “legal person”, rather than an individual or “natural person”, is appointed as and acts as, the director of a company. Under the Companies Act 2006, UK companies can have corporate directors so long as they appoint at least one director who is a natural person. For Limited Liability Partnerships (LLPs), corporate members can be appointed and there is no corresponding requirement to appoint at least one natural person. While corporate directors can perform legitimate business functions, they also make corporate structures opaquer possibly facilitating illicit activity or jeopardising effective corporate oversight.

We expect the outcomes of this proposal to affect companies that act as and use corporate directors, rather than natural persons. We do not expect the outcomes of this proposal to have any relevance to PSED. Therefore, we do not consider it necessary or proportionate to gather equality data for this assessment.

PSED Considerations

We considered potential and likely impacts of the proposal on the three aims of the PSED. Our findings are provided below.

Aim 1 – Eliminate unlawful discrimination, harassment, victimisation, and any other conduct prohibited by the 2010 Act.

Does your policy or service disadvantage some people or groups more than others?

The proposal assessed applies to companies not natural persons. It is not expected to treat any individuals or groups more favourably (or unfavourably) than others, nor is it expected to result in any differential impact on groups or individuals with protected characteristics. We also do not expect it to have an impact on people with protected characteristics because of them possessing those characteristics, or any unintended impact on any of those groups.

Whilst some affected entities (i.e. companies or LLPs) will employ individuals who have protected characteristics, the impact of this proposal will be on the entire business and not on any specific individual or groups therein. We therefore expect the actual impact on employees to be the same regardless of their individual characteristics.

Where specific actions, arising because of the proposal assessed here, may affect individuals, it will be based on their conduct and not their individual characteristics.

Aim 1 Assessment

Protected Characteristic	Expected Impact
Disability	None
Race	None
Age	None
Gender reassignment	None
Religion or belief	None
Pregnancy & Maternity	None
Sexual orientation	None
Sex	None
*Marriage & Civil Partnership	None

Aim 2 – Advance equality of opportunity between people who share a particular protected characteristic and people who do not share it.

Will our actions deliver a less good outcome for any groups compared to others?

Given that measures introduced under this proposal mainly affect companies, we do not expect any disproportionate adverse impact on an individuals or groups who hold one or more protected characteristics.

Is there evidence that particular groups are less involved in this policy area and is this linked to a protected characteristic?

We have not undertaken any formal consultation specifically to investigate whether particular groups are less involved in this policy area, since there are no practical limitations, based on protected characteristics, to involvement in any of the activities therein. Whilst there may be some existing inequalities in this area, the measures introduced under this proposal are not expected to change any aspect of how individuals or groups with protected characteristics engage, and the individuals and groups that are already active in this policy area are not expected to change as a result of how the measures introduced under this proposal may interact with their protected characteristics. Measures to effect the changes that would address existing inequalities in this policy area are beyond the scope of the proposal assessed here.

Aim 2 Assessment

Protected Characteristic	Expected Impact
Disability	None
Race	None
Age	None
Gender reassignment	None
Religion or belief	None
Pregnancy & Maternity	None
Sexual orientation	None
Sex	None

Aim 3 – Foster good relations between people who share a particular protected characteristic and people who do not share it.

How is the policy going to be received by people who do not benefit from it?

We expect the entire UK population to benefit in some way or another from measures introduced under this proposal. The measure would reduce the use of opaque arrangements involving corporate directors and will help prevent crime through deterrence, enhancing corporate transparency and in some instances directly remove a mechanism used to facilitate crime. It should make apprehending criminals both cheaper and easier for law enforcement agencies. Opaque arrangements involving company directors reduce transparency. Economic theory suggests that that reduced transparency is likely to increase information asymmetries, imposing higher information collection costs, and reduce trust. Increasing transparency could facilitate greater trust in the business environment and greater economic growth.

Will our actions help to tackle prejudice and promote understanding between different groups – can we take positive action in respect of the three aims of PSED?

The broad set of measures taken under this proposal are not intended to directly encourage actions to tackle prejudice or promote understanding between different groups.

Additionally, we do not expect any of the measures taken under this proposal to hinder any action to tackle prejudice or promote understanding between different groups or give rise to, or create an increased risk of, discrimination, harassment, victimisation or any other conduct prohibited by or under the Equality Act 2010.

Aim 3 Assessment

Protected Characteristic	Expected Impact
Disability	None
Race	None
Age	None
Gender reassignment	None
Religion or belief	None
Pregnancy & Maternity	None
Sexual orientation	None
Sex	None

Conclusion

We conclude that the measure should have no adverse or disproportionate negative impact on persons or groups with a protected characteristic and no steps need to be taken to advance equality of opportunity and foster good relations because of or in relation to them.

The measures under this proposal are not expected to give rise to discrimination, harassment, victimisation, or any other conduct prohibited by or under the Equality Act 2010. Further, they do not make specific or direct provision in respect of any of the protected characteristics, and they are not expected to result in outcomes where people who share particular protected characteristics are treated differently from people who do not. They are not expected to give rise to a direct or indirect impact on individuals because of any protected characteristic they may have.

On this basis, we do not consider it is necessary or proportionate to seek further evidence to support this assessment, or to recommend any changes to our existing plans.

Approach to monitoring

The Department does not intend to monitor in relation to PSED specifically, but the Department is required to carry out a post-implementation review of the measure five years after it comes into force.

Sign-off

Name:

Job Title:

Date: