Department for
Business & Trade

Non-Financial Reporting Review

Call for Evidence: summary of responses

March 2024

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Introduction

The Department for Business and Trade (DBT) is conducting a review of the non-financial reporting (NFR) requirements UK companies need to comply with to produce their annual report and to meet broader requirements that sit outside of the Companies Act. The review considered if current company size thresholds (micro, small, medium and large) that determine certain non-financial reporting requirements, and the preparation and filing of accounts with Companies House, remain fit for purpose.

The review builds on the *Smarter regulation to grow the economy policy paper*[1] which set out how the government would improve regulation across the board to reduce burdens and drive economic growth now that the UK has left the European Union (EU). Our departure from the EU allows us to shape rules and processes so that they work for the UK's specific circumstances, including for non-financial reporting and related matters.

The Call for Evidence was the first stage of the review process, published in collaboration with the Financial Reporting Council (FRC), the UK regulator for corporate governance, reporting and audit. It opened on 24 May and closed twelve weeks later, on 16 August 2023. This document summarises the findings from the 160 responses received.

As part of the next phase of the review, the Government intends to make legislative changes this summer that will deliver savings of around £150 million per year to UK companies, the vast majority of which will directly benefit small and medium-sized companies. The measures will include an approximate 50% uplift to the monetary thresholds that determine a company's size to take account of inflation and to reduce burdens on smaller businesses. Uplifting these thresholds will allow around 132,000 companies and LLPs, including 113,000 small companies, to take advantage of simpler, less burdensome reporting regimes, which are more suitable for their size. An impact assessment covering the detail of the intended legislative changes is available at: [GOV.UK link once known].

Main findings from the Call for Evidence

The main messages from the responses received were as follows:

- **NFR has value**. A significant number of respondents (over 80% answering the relevant question) either strongly agreed or agreed that the non-financial information prepared by companies was useful. Reasons given included that it provided them with information which provided transparency and enabled a degree of accountability. Several responses recommended that the information should focus on the information that investors need, rather than broader audiences.

- **Businesses consider NFR costs to be too high, but users consider the cost to be worthwhile**. Most preparers of accounts reported that the costs of NFR outweighed the benefits (52%), but three quarters (23 of 30) of other respondents – including investors – believed the benefits of NFR matched or exceeded its costs.

- **NFR complexity is a problem**. All respondent groups identified that current reporting thresholds, exemptions and exclusions are too complex and strongly agreed or agreed (58%) that thresholds would benefit from simplification. (Omitting those respondents who neither agreed nor disagreed or stated don't know, the figure is even more stark at 88%.)

[1] https://www.gov.uk/government/publications/smarter-regulation-to-grow-the-economy

However, there were differences in views on what specific thresholds should be streamlined and how.

- **Too many smaller firms have been drawn into excessive NFR**. The majority of respondents (59%) who answered the question thought that the micro-entity, small, medium-sized and large company reporting thresholds no longer remained appropriate. Where respondents expressed a view, raising financial thresholds at least by the level of inflation was a key theme.

- Respondents suggested that **the Directors' Report should be streamlined or abolished altogether**, with some variance in views on whether to remove duplication or to abolish the Directors' Report completely.

- The Government received feedback that **the Directors' Remuneration Report could be streamlined**, although there were no specific suggestions on how this might best be achieved.

- Respondents expressed **strong support for greater comparability in sustainability-related reporting and the UK's pursuit of International Sustainability Standards Board (ISSB) standards** as a solution to issues caused by reporting against a variety of standards.

Methodology

Overview

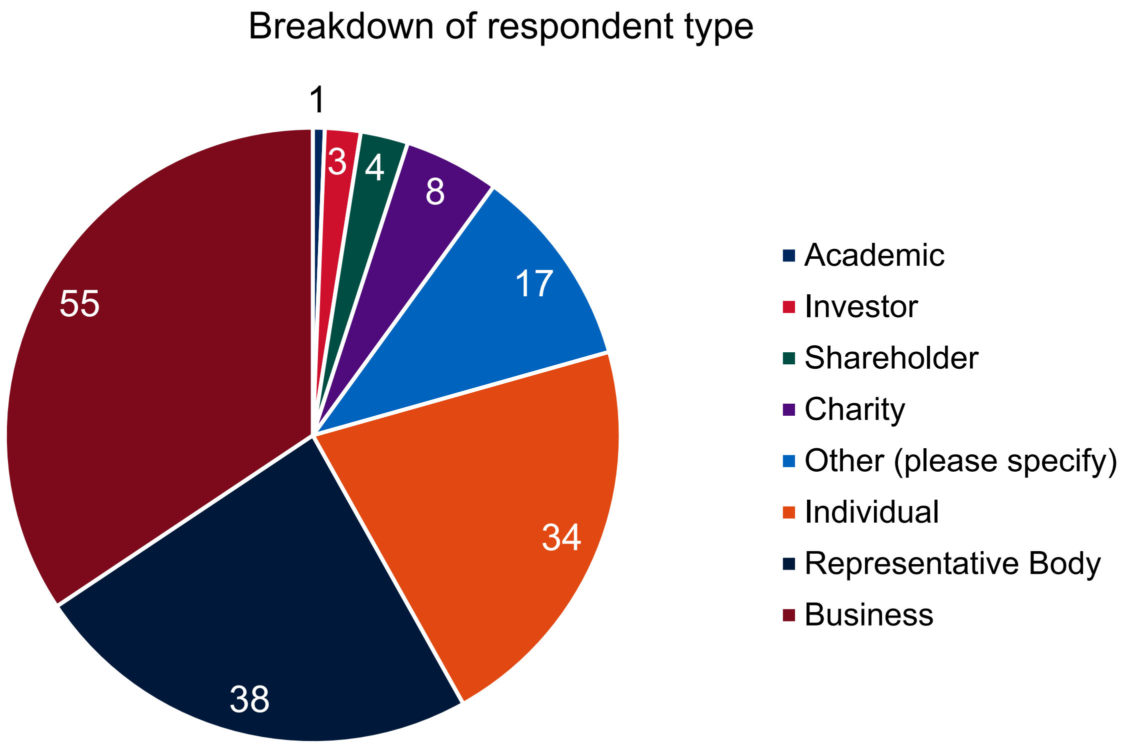
The Non-financial Reporting Review's Call for Evidence was open for 12 weeks, launching on 24 May and closing on 16 August 2023. In total, the Government received 160 responses (132 from an online survey, the stated preferred method of response, and a further 28 via email) from a mix of preparers (66) of non-financial reporting (NFR) information, users (33) of non-financial information (NFI) and those who classed themselves as others (61), a group which included those who are both a user and preparer, advisors to preparers, auditors, corporate reporting agencies, accountants, and trade/representative bodies. Respondents could submit responses anonymously.

Analysis

The Call for Evidence collected data about respondents and contained a mix of closed and open-ended questions. To ensure a robust approach to analysis, we developed an analysis strategy to code and analyse the responses, particularly to the open-ended questions.

The Call for Evidence routed respondents to different questions depending on whether they were a preparer or user of non-financial information. The survey was designed in this way so that respondents were only required to answer questions relevant to them. Respondents who were neither preparers nor users of information were able to answer all questions. Respondents could skip questions they did not want to answer which is why the base sizes differ across questions. Also, for the open-ended questions, respondents could touch on several themes in their answer, resulting in the overall total of the individual scores being higher than the number of base respondents.

A wide range of stakeholders submitted responses. The breakdown by respondent type is set out below. The main type of respondent was businesses, constituting 34% of total respondents, followed by representative bodies at 24%.



Throughout this summary, selected quotes have been used to illustrate and give further insight into the themes that emerged from our analysis. Spelling and grammar errors have been corrected where the intended word or words in question were obvious. Additionally, quotes from respondents who asked to be kept anonymous may have been altered to respect that position. No other changes have been made.

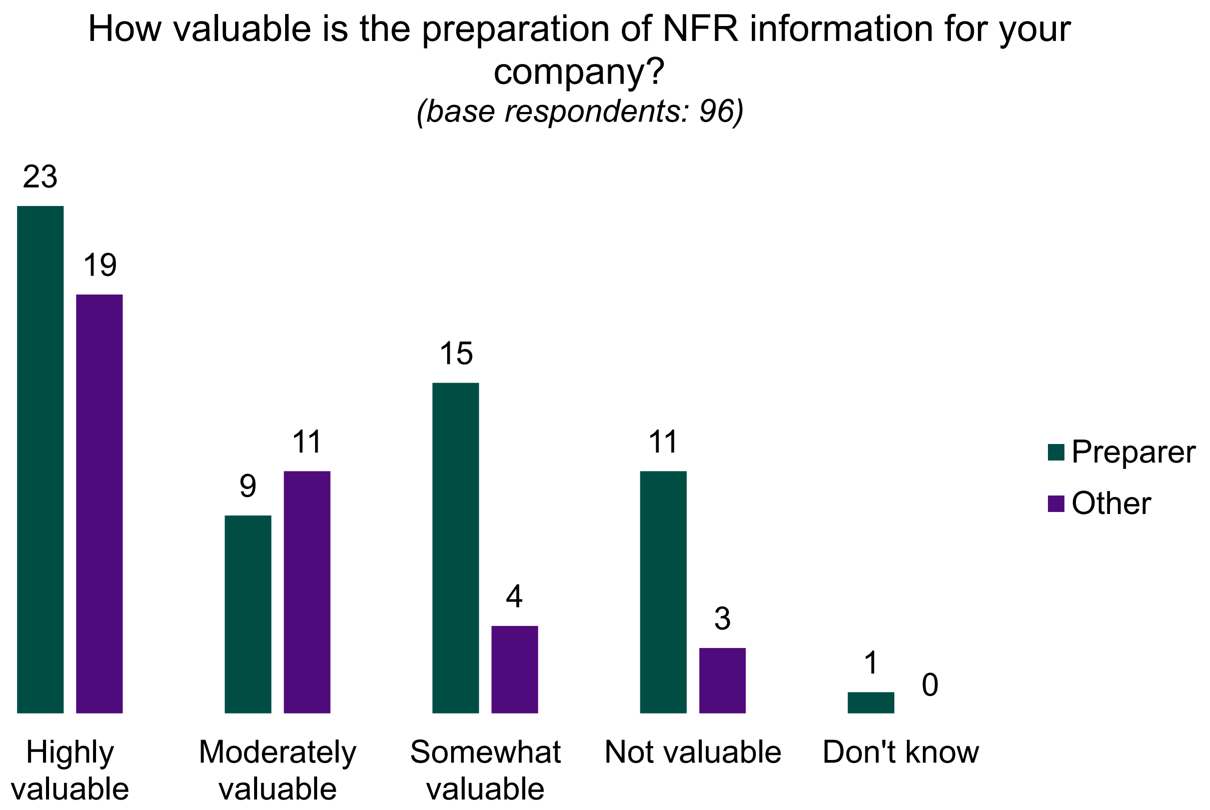
Caveats

The results are only representative of those who responded to our Call for Evidence and cannot be taken to represent the views of all individuals, professionals, or organisations. The Department recognises that there may be alternative views on specific issues. The inclusion of views in this summary does not mean they are endorsed or accepted by the Department for Business and Trade or Government.

Summary of responses by question

The following questions (1-5) were primarily aimed at preparers.

1. How valuable, if at all, is the preparation and/or disclosure of non-financial information for the effective running of your company? And why do you say that?



The majority of respondents (65%) indicated that preparation of NFR information was either highly valuable or moderately valuable for their companies. All large companies found NFR preparation to be valuable to some extent, while there was a more mixed response across micro, small and medium companies, ranging from highly valuable to not valuable.

Of those respondents expressing a view, most preparers indicated that preparation of NFR information informs company strategy and/or performance and attracts investment.

> "The preparation and disclosure of non-financial information is increasingly expected and even demanded by investors, employees, clients and other stakeholders…This has instrumental value for companies themselves, in that it increases transparency and the flow of information between companies and their investors. In turn, non-financial information can increase investor confidence in a company, its practices, and its underlying strategy, which can ultimately attract further investment", **The Chartered Governance Institute UK & Ireland**

> "Non-financial reporting is one way in which we communicate our strategy. Our strategy includes elements of social purpose as well as financial performance, such as addressing climate change, ageing demographics, urban regeneration amongst others. And as such, reporting on progress in such matters is integral to our purpose. We recognise that public

reporting can be a valuable tool in raising standards and expectations, encouraging organisations to adopt best-in-class practices", **Legal & General Group plc**

> "The preparation of non-financial information focuses Board and executive minds on good corporate governance and feeds into many of the key performance indicators leadership use to set targets and monitor performance against them", **SSE plc**

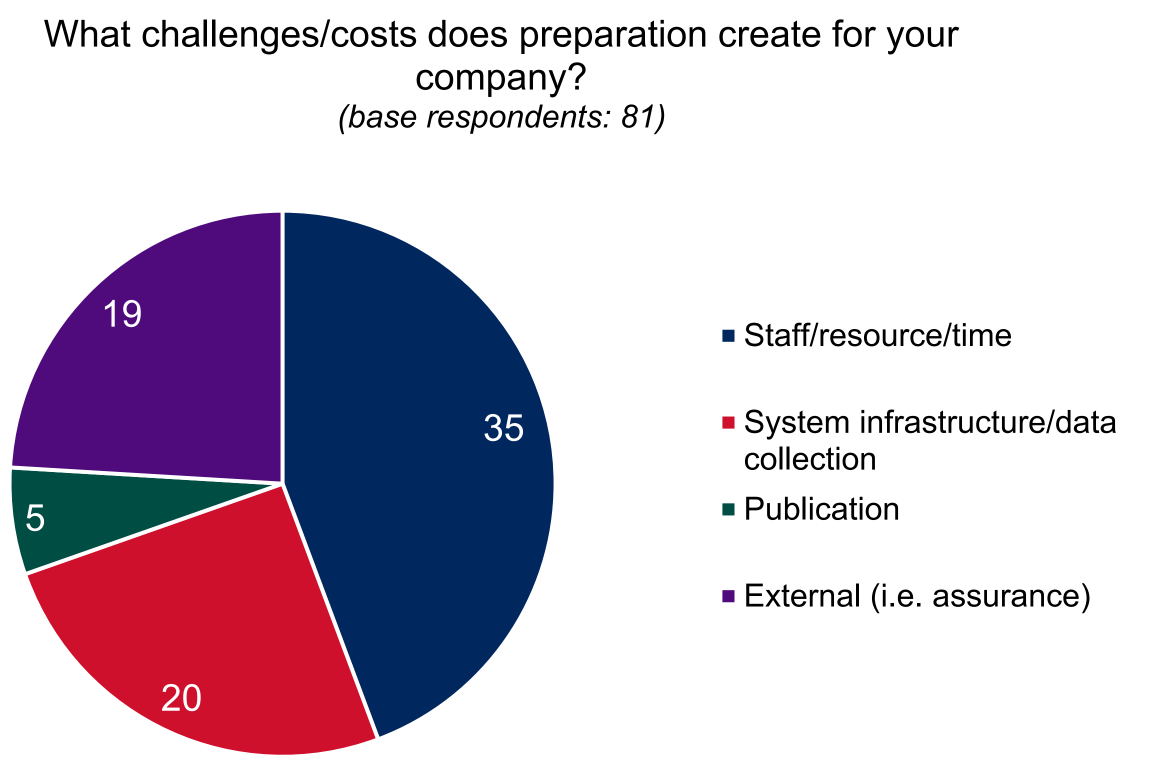
Around a fifth of respondents indicated NFR information is a burden on business, because of staff time and the resources businesses need to devote to reporting.

> "Non-financial reporting plays a role in providing transparency on business activity however it does take time and places burdens on business. It is important therefore that we find the right balance between aiding investment decisions and regulatory burden", **FTSE 100 company**

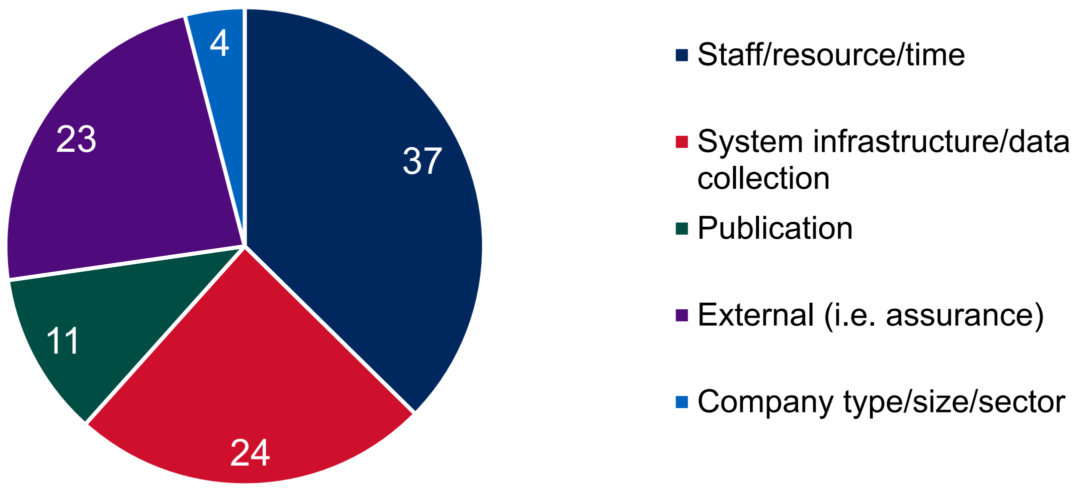
> "We consider that non-financial disclosure outside of a capital market materially adds a compliance burden for smaller companies. Such burden may be justifiable if the information is used: either by contractual counterparties or government bodies. It is imperative that any requirements for non-listed companies to disclose non-financial information is predicated upon strong evidence that it is required and will generate a benefit in excess of this cost", **Law Society of Scotland**

2. What challenges, or costs, if any, does the preparation, disclosure and distribution of non-financial information create for your company?

3. What, if any, are the key drivers of cost when having to comply with non-financial reporting requirements?



What are the key drivers of cost when complying with NFR requirements?
(base respondents: 91)



Two open questions sought views on what costs or challenges the preparation of and compliance with NFR requirements created for preparers (if any). Across both questions, respondents indicated the greatest cost/challenge created related to the staff resource/time in preparing/complying with NFR requirements (Q2 44%, Q3 37%).

> “In the last few years, there have been numerous updates and changes to regulatory requirements for companies resulting in additional disclosures. Each set of changes requires companies to allocate additional internal and external resources to implement effectively. We would like to see more alignment and coordination between different bodies to reduce the burden on preparers”, **FTSE 100 company**

> “Key cost drivers include staff and time costs, which are fairly significant across various teams and functions. It is estimated that these could be around £1m per annum. In addition, there are other costs related to publication of a digital sustainability report, process improvement costs to capture relevant data and costs for the assurance of this data (for limited assurance this is in the region of £1m per annum)”, **National Grid plc**

Systems, infrastructure, and data collection related challenges/costs were commonly mentioned in responses (Q2 25%, Q3 24%), as were external costs, e.g. assurance (Q2 24%, Q3 23%).

> “Investment into data and systems is also often required as existing data portals are often ill-equipped for dealing with the nature of information required to fulfil non-financial reporting requirements. Government can support on these elements of cost by developing tools and support for the gathering and reporting of information”, **Association of Chartered Certified Accountants**

> “Additionally, producing high-quality data presents several challenges for companies which may include challenges around modelling using historic data, data validation, data standardisation and taxonomies, data provided by clients and customers, and data timeliness. Disclosure must be supported by the appropriate system architecture and infrastructure to support the collection of data, its measurement, processing, and reporting. This generally will require new data attributes, new databases, and new system

functionality. It is important to note that there is no existing system or general ledger for these metrics. Systems and processes have to be designed and built from the ground up, at significant financial cost and personnel commitment", **Association of British Insurers**

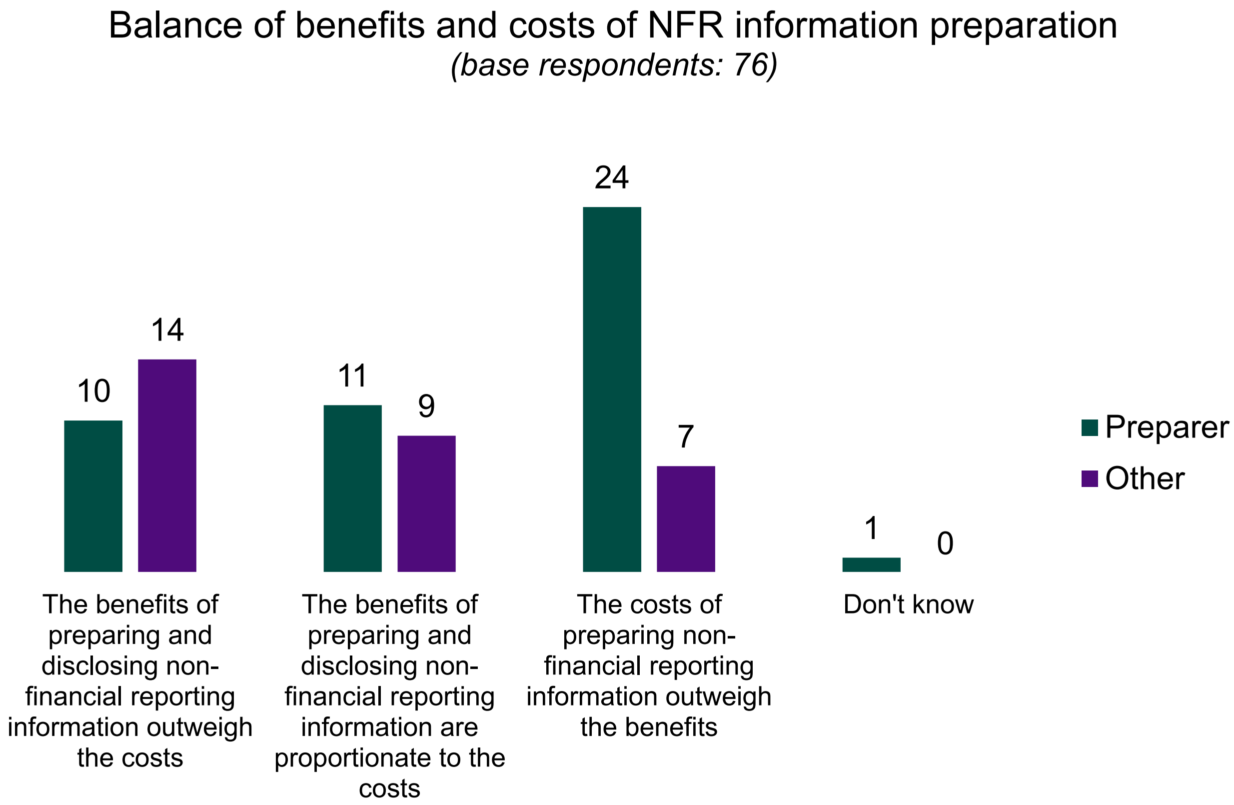
"The recent proposals in respect of internal controls in the Corporate Governance Code consultation, which expand the remit of controls over reporting beyond financial, to cover non-financial reporting, coupled with the introduction of the Audit and Assurance Policy and increasing stakeholder expectation around assurance, all continue to add significant additional costs to the disclosure and distribution of non-financial information also essentially. The divergence of requirements in respect of these assurance requirements (for instance they are required under CSRD, but not under other regimes) are creating uncertainty for business and investors, and an unlevel playing field", **Legal & General Group plc**

Themes also emerged relating to group reporting and company size, where smaller/subsidiary companies indicated less resource in terms of staff and time and infrastructural systems needed to comply with reporting requirements.

"Currently, significant time is spent trying to produce information which requires full detail of the overarching group approach to make sense. When rules are created, they need to be tested for operation across both an individual company and group context", **SSE plc**

"A key challenge for preparers is the complexity in the non-financial reporting framework. In particular, there are challenges in relation to scoping requirements, the duplication of requirements across the annual report, and how non-financial reporting requirements are applied within group situations", **ICAEW**

4. Do the benefits of preparing and disclosing NFR information outweigh the costs, are proportionate to the costs, or do costs outweigh the benefits? Please explain your answer.



Preparers mainly indicated the cost of preparation of NFR information outweighed the benefits whilst other respondents expressed mixed views across the benefits outweighing or being proportionate to the costs. There were mixed responses across all company sizes.

By respondent type, most preparers reported that the costs of preparing/disclosing NFR information outweighed the benefits.

When expressing a view to their answer, respondents who indicated that the benefits of NFR preparation outweigh the costs highlighted that NFR information allowed for transparency and accountability.

> "While many of the benefits are not direct to companies, there are increasing expectations of a number of stakeholders – e.g. employees, investors and clients - that have to be met by companies, therefore it becomes a compliance cost of doing business", **FTSE 100 company**

> "Based on the current mandatory requirements the balance isn't too bad, although there is complexity in the current requirements (i.e. things could be streamlined). It looks however like there are significant new mandatory requirements that may come in, along with mandatory assurance (e.g ISSB, Transition Plan Taskforce, UK Taxonomy etc). Depending on what is made mandatory and what exemptions are offered, it could easily and quickly reach the stage where the costs outweigh the benefits", **National Grid plc**

> “So much time and difficulty spent just finding out what to disclose. Accounts are always inconsistent, there are almost always missing disclosures, or over-disclosure. The process of determining what to disclose and what can be omitted needs to be much easier. Information is therefore rarely consistent, and often useless to users of the accounts”, **individual respondent**

> “The UK economy operates at its best when information on suppliers and customers is in the public domain. We believe that disclosing our non-financial information in a transparent, meaningful way provides us with competitive advantage compared to businesses that do not”, **Ancoram Limited**

> “Companies are required to report on information that is not particularly relevant to their business, and this adds to the costs outweighing the benefits of preparing that particular section, even though reporting on non-financial information as a whole is a valuable undertaking”, **Quoted Companies Alliance**

> “Many clients find data valuable in monitoring progress against strategy and for setting future strategy. Employees, future hires, investors, customers, suppliers and NGOs have an increasing interest in non-financial information”, **Friend Studio**

Approximately 15% of all respondents who answered the relevant question indicated the preparation of NFR information is not valuable to their company. Respondents indicated time and difficulty spent deciphering what to disclose, missing material disclosures, or over-disclosure of information not seen as useful, were the main reasons for this.

> “Often, companies are required to report on information that is not particularly relevant to their business, and this adds to the costs outweighing the benefits of preparing that particular section, even though reporting on non-financial information as a whole is a valuable undertaking”, **The Quoted Companies Alliance**

> “There is clearly a need to have NFR requirements, to ensure businesses report on the wider environmental and societal performance of their business. However based on discussions with [ ] and industry round tables on this topic, there appears to be a consensus that the current complexity of rules, including thresholds to determine the extent to which NFR is required, can result in NFR sections that may not provide the targeted information that investors and stakeholders require. It is therefore welcome that the government is reviewing the rules in this space”, **business representative body**

> “Whilst the non-financial reporting included in the annual report is important to help understand our company and market, we consider that the requirements of non-financial reporting are becoming increasingly complex and excessive”, **Spirax Sarco Engineering plc**

5. To what extent do the Companies Act 2006 non-financial reporting requirements align with other regulatory requirements your company might be in scope of?

Responses to this question varied greatly because regulatory requirements faced by companies are different depending on a wide range of factors such as company size and the countries in which it operates. Responses, therefore, range from not being subject to any other regulatory requirements at all to having to comply with multiple different domestic and international requirements, where companies are required to anticipate future developments, for example. As such, the summary of this question is by theme only without any numerical analysis.

Where respondents considered matters of domestic alignment, the standout theme was that of the overlap between Companies Act 2006 requirements, the FRC's Corporate Governance Code and the FCA's Listing Rules (LRs) and Disclosure Guidance and Transparency Rules (DTRs).

> "There are many non-financial requirements set out in CA 2006 (and secondary legislation) that are similar but different to requirements contained in the LRs, the DTRs and the UK Corporate Governance Code, as well as other requirements that apply to regulated companies. Preparing separate but overlapping disclosures, potentially containing different information leads to a duplication of cost and effort", **Smiths Group plc**

> "There are a wide variety of requirements from different stakeholders, including the requirements under the Companies Act 2006, the Corporate Governance Code and the FCA's Listing Rules, and our members would benefit from such requirements becoming better aligned and streamlined where possible", **The Chartered Governance Institute UK & Ireland**

To a lesser extent, some respondents also cited the rules set by the Prudential Regulation Authority.

> "It is important to note that insurers are highly regulated by the Prudential Regulations Authority (PRA) and Financial Conduct Authority (FCA) and undertake a significant volume of reporting for both regulators. We would urge DBT to consider this in its review of non-financial reporting requirements to avoid unnecessary duplication or the creation of additional work that is not aligned to existing regulation, which could create issues around lack of clarity of ownership between differing regulators", **Association of British Insurers**

> "There needs to be alignment in Companies Act 2006 disclosures with those requirements that are set by the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) (or other regulators). We would suggest that there be recognition of other reporting requirements of regulators and other bodies. For example, those firms subject to the Solvency II reporting framework of the PRA should be able to refer to those reporting requirements and not have to reproduce them", **Lloyds Marketing Association**

For international alignment, respondents particularly mentioned the EU's Corporate Social Responsibility Directive, emerging IFRS frameworks and US requirements.

> "To achieve global alignment, it will be critical for standards setters and regulatory bodies to build on existing guidelines such as Task Force on Climate related Financial Disclosures (TCFD) and coordinate with developing standards such as those published by the International Sustainability Standards Board (ISSB), the European Corporate Sustainability Reporting Directive (CSRD), and those proposed by the Securities and Exchange Commission (SEC) in the US. Furthermore, it's key to arrange for a proper equivalence regime to prevent an overlay in reporting which will be confusing for investors and stakeholders", **FTSE 100 company**

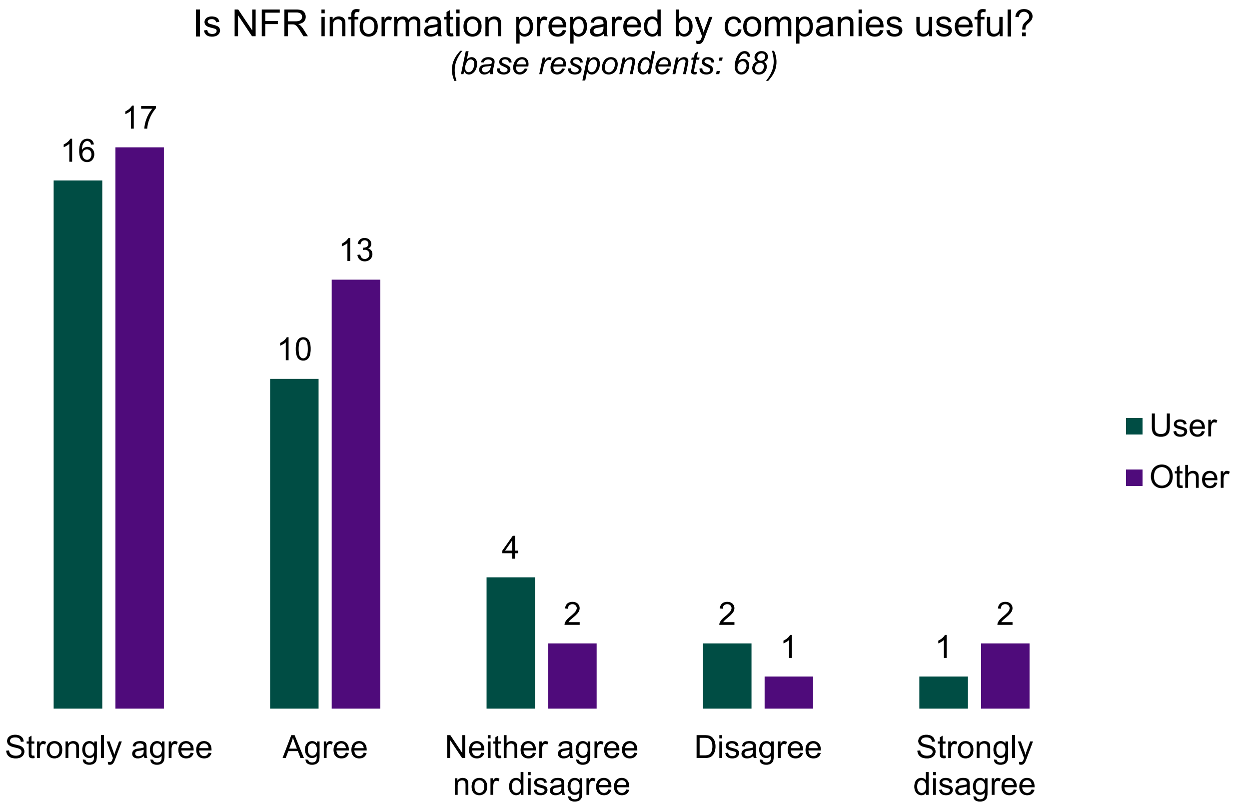
> "We would like to see greater alignment, particularly with EU Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD) legislation, the new IFRS S1 and S2 disclosure frameworks and the Global Reporting Initiative (GRI) for double materiality. Not adding to reporting burdens of companies who operate in multiple markets is crucial - let's not reinvent the wheel when good frameworks already exist", **Planet Mark (& Carbon Accounting Alliance)**

> "ACCA believes that corporate reporting standards should be based on a building-block approach: with the ISSB Standards providing a global baseline, on which national and regional standards can be built. Eventually, reporting requirements need to be comparable

and decision-useful for its intended audience, and avoid undue reporting burden on preparers. Jurisdictional or national disclosure requirements should be interoperable with global standards, including interoperability across regulations set by the FCA, PRA and other regulators", **Association of Chartered Certified Accountants**

The following questions (6-11) were primarily aimed at the users of non-financial information.

6. To what extent do you agree or disagree that non-financial information prepared by companies is useful? Please explain your answer.



Over 80% of respondents who answered this question strongly agreed or agreed that NFR information prepared by companies is beneficial. Across all company sizes, most respondents found NFR information prepared by companies useful. This was more pronounced for large companies.

Enabling greater transparency and accountability were the main reasons cited for NFR being useful to users.

"Non-financial information provided by businesses, particularly listed groups, is vitally important to our strategic decision-making; however, the information provided is frequently vague, imprecise and challenging to compare across similar businesses operating in the same sector", **Ancoram Limited**

"Non-financial information is vital as it improves transparency, accountability and encourages companies to assess how they are building an inclusive culture and engaging employees. Non-financial reporting and business success should not be seen as competing with one another. Instead, collecting and reporting this information is an important step in encouraging responsible business and long-term success", **Chartered Management Institute**

While disclosure of environmental matters has been part of NFR information for some time now, climate-related disclosure has been a specific, recent addition[2]. Over 30% of respondents to this question singled out climate-related disclosure as being useful in some way.

> "Taking environmental information as an example, the preparation and publication of data related to climate change is valuable not only to see progress of the reporting business itself, but also because reporting companies require their supply chains to provide emissions data to enable them to complete these reports. This provides an important, business-led incentive on suppliers to monitor and track their climate emissions, in order to report these up to the larger business", **business representative body**

> "Investor surveys have revealed that 'investors have a strong demand for climate risk disclosures. Empirical analyses of holdings data corroborate this evidence by showing a significantly positive association between climate-conscious institutional ownership and better firm-level climate risk disclosure'. 79% of investors believe that climate risk disclosure is at least as important as financial disclosure, and almost one-third consider it to be more important. Investors mainly use sustainability data to analyse potential opportunities and judge the associated risks. However, as we approach the 2050 deadline for the UK to be a net zero aligned financial centre, more accurate, standardised and comprehensive disclosures will be required for investors to assess progress towards both the UKs, and their own, net zero targets", **E3G**

While most respondents found NFR information useful, a minority (largely but not exclusively made up of individual respondents) did not. Reasons given for lack of usefulness were mainly because the information was not material, specific or accessible enough to understand the underlying position of the company.

> "Much of the information produced at present is not very useful. Too much of it is boilerplate designed to meet compliance requirements or PR 'puff' for the company from the chairman or CEO. Sometimes the information provided does not align with the story that the financial statement provides. Some of the content is incomplete or simply impenetrable (true of many remuneration reports). Some, such as risk reporting, is often generic or simply banal and some, such as much reporting on the company's business model is vague and /or meaningless for helping to form investment decisions", **individual respondent**

> "When a set of published accounts can exceed 300 pages (as they often do for public companies) then it is self-evident that there is far too much non-financial information which will take an inordinate amount of time to prepare (and can only delay publication of the financial results) and will be read by absolutely nobody (so is of zero value)", **individual respondent**

> "The useful information is in audited financial statements as it is standardised and assured. However, it is sometimes clouded by the disclosure problem where preparers provide too much irrelevant (non material) information, not enough relevant (material) information and not always understandable information. Non financial reporting tends to be unfocused, superficial and provided in a checklist way that has not attempted to focus on relevant (material) information", **individual respondent**

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[2] https://www.legislation.gov.uk/uksi/2022/31/contents/made

7. How, if at all, do you use non-financial information?

Half of respondents to this question stated that they used non-financial information to some degree to support their investment decision-making, while just over 40% used the information to get an insight into the company's strategy and/or business model.

> "[company] utilises non-financial information in three key ways: 1. Capital allocation and investment solutions: markets need information to be able to price effectively and undertake investment decisions. 2. Investment Stewardship: Transparent disclosure of non-financial information facilitates effective Stewardship activities, and enables [company] to hold companies and boards accountable for their actions. Client reporting requirements: [company's] clients are facing increasingly regulation and expectations to report on Environmental, Social and Governance risks within their assets and funds", **investment company**

> "I use non-financial information as part of my overall assessment of how well run a company is (or otherwise) and as part of my assessment of its future prospects", **individual respondent**

> "An increasing number of UK savers and pension funds now have non-financial objectives and requirements which extend beyond financial materiality. They value this as it gives them full visibility of investee companies' exposure to and impact on sustainability factors, which in turn helps to inform investment decisions", **Investment Association**

There were several other themes on how non-financial information is being used, this included from a business-to-business perspective (where non-financial information is used to make decisions about future commercial engagement) or from those accessing information from a public interest perspective (interested in specific aspects of company reporting).

> "Non-financial information plays a critical role in our procurement, client screening, and strategic decision-making processes. We will not work with a supplier or client unless we have a degree of transparency over their ESG policies and practices", **Ancoram Limited**

> "I use it to: 1. understand the energy use and carbon emissions of football clubs and football authorities; 2. analyse the information to identify trends in their energy use and carbon emissions, looking at clubs as a whole and comparing them", **individual respondent**

> "Anti-Slavery International use non-financial information to improve policy and practice in terms of human rights and environmental harms", **Anti-Slavery International**

8. Which types of non-financial information are the most useful?
9. Which types of non-financial information are the least useful?

Only 29% of respondents answered the first question, while only 20% answered the second. Answers were of mixed quality and not detailed enough to draw overall conclusions. The following points should be viewed with that in mind.

Of those that responded to these questions, the most useful non-financial information cited by respondents overall was environmental reporting, whilst governance reporting and other reporting were the least useful types of non-financial information.

For users, there were an equal number of respondents who considered social reporting and reporting on governance to be both the most and the least useful.

However, the use and purpose of non-financial information by different stakeholders was, perhaps, best encapsulated by this quote from ICAEW:

> "We emphasise this point again here as it may be that information categorised as 'least useful' within the annual report may in fact serve an important purpose for another audience and/or may be necessary for the purpose of meeting a wider public policy objective. It may, therefore, not be a case of no longer requiring that information, but rather finding a more effective way to present that information to the intended audience."

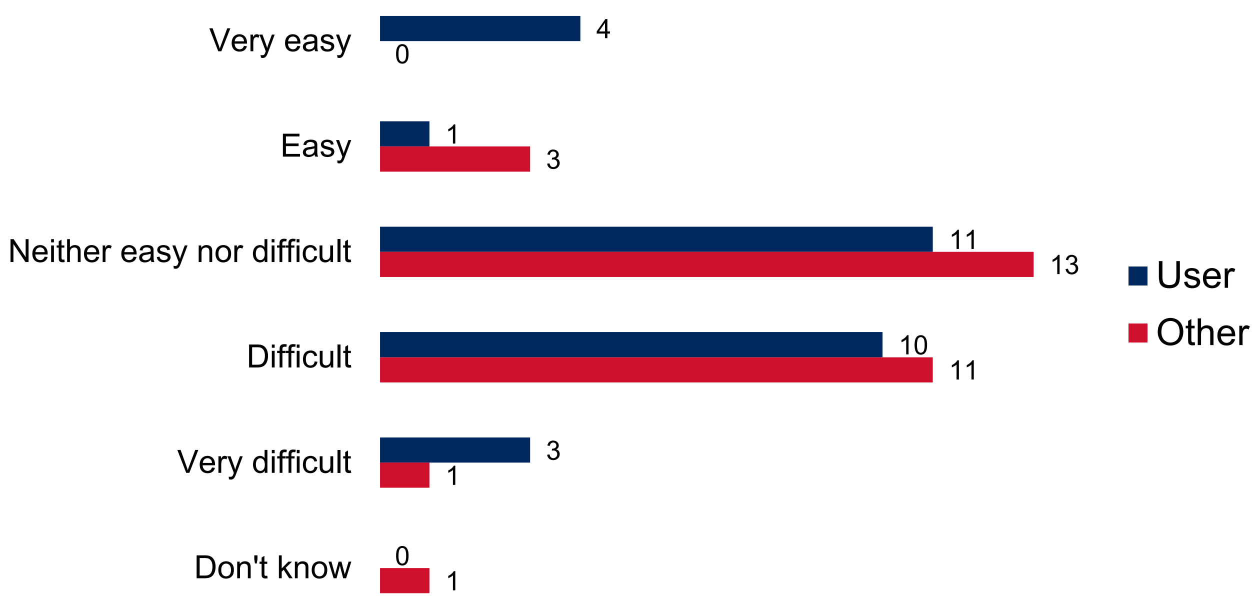
Illustrative quotes from respondents:

Environmental reporting: Most	"Within the Strategic Report, members would generally consider reporting on TCFD as critical to understanding how companies seek to manage their climate-related risks and opportunities (especially in light of how they impact on a company's business model and strategy)", **Investment Association**
Environmental reporting: Least	"When it comes to reporting on human rights and environmental issues, there is a risk that companies will reflect on those elements which are easier to report on, including success stories and non-contentious issues. However, these elements are not necessarily the most meaningful to report on. While harder to reflect on, information on impact, KPIs and, for example, grievances raised and remediation of cases in which harm has been found, provide a much clearer picture of the companies' ability to manage these risks", **Anti-Slavery International**
Social reporting: Most	"We focus on the social information within non-financial information, particularly workforce disclosures. Information which can provide insight on inclusion and diversity can help stakeholders to understand important aspects of organisational culture and potential risks. In recent years, there has been a lot more disclosure around gender equality in particular, which makes it easier to analyse the information provided, and allows investor advisory firms to analyse and compare the information across sectors and across countries", **The Chartered Institute for Personnel and Development**
Social reporting: Least	"Information which is not supported by meaningful evidence or data has little value, except as a signal of management intent. There is also often duplication of social information in annual reports due to the current structure which can make analysing non-financial information more complicated than it needs to be. There is case for a review of the structure of company reports to simplify and rationalise disclosure on non-financial information", **The Chartered Institute for Personnel and Development**
Governance reporting: Most	"Information around governance and oversight, strategy and decision making, risk management and metrics and targets to monitor progress are the most useful to support in decision making. Metrics and targets, including financial metrics, can also be a useful indicator to assess the significance of risk – for example disclosing financial information on a new "sustainable" product line is a useful indicator of the relevance of that product

	line in assessing resilience", **Association of Chartered Certified Accountants**
Governance reporting: Least	"Some elements of remuneration reporting, which can tend to be lengthy relative to the value of information provided; and governance reporting which can have a tendency to include lengthy boilerplate disclosures as many companies tend to share many of the same goals and while, for example, a disclosure can say the board reviewed a particular area it will inherently be difficult to make an assessment of the effectiveness of the review from it. In certain instances risk disclosures, for example where disclosures are at a fairly generic level and so could apply across the industry rather than being company specific and this challenge may apply in other areas as well", **The Group A accountancy firms**
Other reporting: Most	"Standardised, simple, quantitative responses to simple questions. For information to be useful it must be read and acted upon by other parties. Therefore, we can see the case for mandatory disclosure for matters that relate to public enforcement – e.g. modern slavery, bribery, etc. However, the caveat for this is that any such disclosure must be read in full by the relevant governmental bodies. Otherwise, there is no point to disclosure", **Law Society of Scotland**
Other reporting: Least	"The Directors' Report has become a repository for reporting that doesn't necessarily fit within the flow of the strategic narrative but is nonetheless required and has likely ended up in the Directors' Report as a result of public policy. Members are not convinced that this reporting is required in every instance as it will not be material to all companies- and for those corporates where it likely to manifest as a material risk, they should already be reporting on this. Given the ISSB's focus on financial materiality, the Government will need to consider whether these disclosures are still appropriate", **Investment Association**

10. How easy or difficult is it to interpret non-financial reporting disclosures? Please explain your answer.

How easy or difficult is it to interpret non-financial reporting disclosures?
(Base respondents: 58)



The majority of respondents (78%) found that NFR disclosures were either difficult or neither easy nor difficult to interpret. Across all company sizes most respondents indicated interpreting NFR information was difficult or, neither easy nor difficult. Of the respondents who provided company size information, only one large company found NFR information easy to interpret.

When cross-referencing responses to this question with the question of whether NFR information was useful, of all respondents who answered both questions, approximately one third strongly agreed or agreed that information was useful but was either difficult or very difficult to interpret.

When asked to explain their response, comparability/inconsistency and disclosures being too technical/detailed were the main themes respondents gave as to why disclosures were difficult to interpret.

> "One of the biggest complaints from companies who have to prepare reports is the complexity and fragmented nature of reporting requirements. It's a complaint echoed by the audiences for those reports, too; reports are frequently too long, complicated, unclear, cluttered. Both producer and audience suffer the consequences of new requirements being introduced piecemeal, without consideration for reporting's overall purpose", **Falcon Windsor**

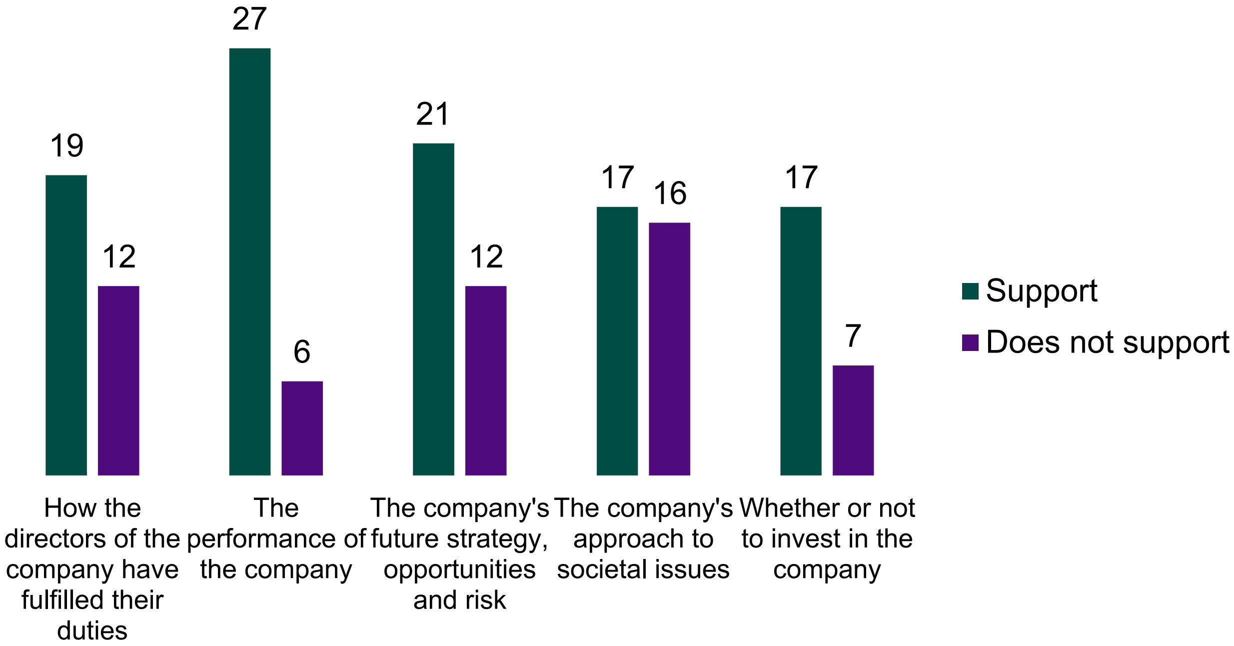
> "There is no guidance, either statutory or voluntary, for what should be covered in workforce reporting in company reports. This contributes to the variability between company reports, as there are major variations not only in quality and depth but also in the issues or categories that are covered in the reports. This limits the extent to which company reports can be used to assess employment practices and quality across the corporate sector as a whole", **Trades Union Congress**

11. How does non-financial information support your judgement in the following areas?

- How the directors of the company have fulfilled their duties;

- The performance of the company;
- The company’s future strategy, opportunities and risk;
- The company’s approach to societal issues such as modern slavery and the gender pay gap;
- Whether or not to invest in a company – please consider the types of non-financial information that is most and least useful, and how it compares to other factors or information in your response.

How does non-financial information support your judgement in the following areas:
(base respondents: differs across statements)



Across all categories, respondents who answered these questions said that non-financial information supported rather than did not support their judgement of these aspects, especially the judgement of the performance of the company. This is particularly true for other respondents. For users, the difference between support/did not support was marginal for both how the directors of the company have fulfilled their duties and the company’s future strategy, opportunities and risk. The one outlier, where non-financial information did not support judgement more than support judgement, was from users in connection with the company's approach to societal issues.

How the directors of the company have fulfilled their duties

“The TUC believes that directors’ duties play a very important role in setting out, at a high level, the broad range of interests and impacts which directors must consider in their decision-making. We value the requirement that directors are required to report on how they have carried out their fiduciary duties. We pay particular attention to information in company reports on how directors have carried out their duty to have regard to ‘the interests of the company's employees’”, **Trades Union Congress**

“This is another area which tends to produce very similar content and thus not very informative, disclosure for many companies. The broad aims of, for instance, engaging with employees or shareholders are repeated, and frequently copied, between companies without providing sufficient detail of specifics to differentiate between companies. There could be a case here for asking companies to explain how they differ from a standard response rather than how they conform to it", **Mazars**

The performance of the company

"Non-financial information is critical for users to understand the factors that have affected the entity's historical financial performance as well as providing helpful information about its prospects. This information is greatly enriched when it is written through the eyes of management and provides a fair and balanced assessment of all aspects of performance in the period under review", **assurance and advisory firm**

"For listed companies, especially larger ones, where experienced investors will be taking a full interest and where the reporting is subject to review by the FRC, there will generally be good insight into the performance of the business but this will normally be less likely to be the case for many private companies where the information provided will be much less likely to be subject to close scrutiny", **the Group A accountancy firms**

The company's future strategy, opportunities and risk

"The decision usefulness of information disclosed about future opportunities and risks is enhanced when the risks and opportunities disclosed are specific to the entity. In this context, the user of the accounts is interested in details of the risks and opportunities that receive the most focus on by management and their interrelationship with the entity's business mode and future strategy", **assurance and advisory firm**

"Non-financial information, particularly concerning ESG performance, is critical to our decision-making processes as a user. Sadly, the information provided on strategy, opportunities and risk is often too vague or imprecise to provide any meaningful information", **Ancoram Limited**

The company's approach to societal issues such as modern slavery and the gender pay gap

"This is the biggest area that all companies need to improve on to keep pace with the seismic shifts in stakeholder expectation. The scale of all audiences' scrutiny and influence on this continues to grow as all citizens now expect more from companies (whether as consumers, employees, investors or contributors into private pensions)", **Friend Studio**

"There are a number of reporting requirements that have been introduced by Government that require companies to disclose information on these issues irrespective of the materiality of the issue to the company. Members consider that these are being used as policy levers by government, but they are being included in the annual report when they are not material to companies and therefore the disclosure requirement could be in another form", **Investment Association**

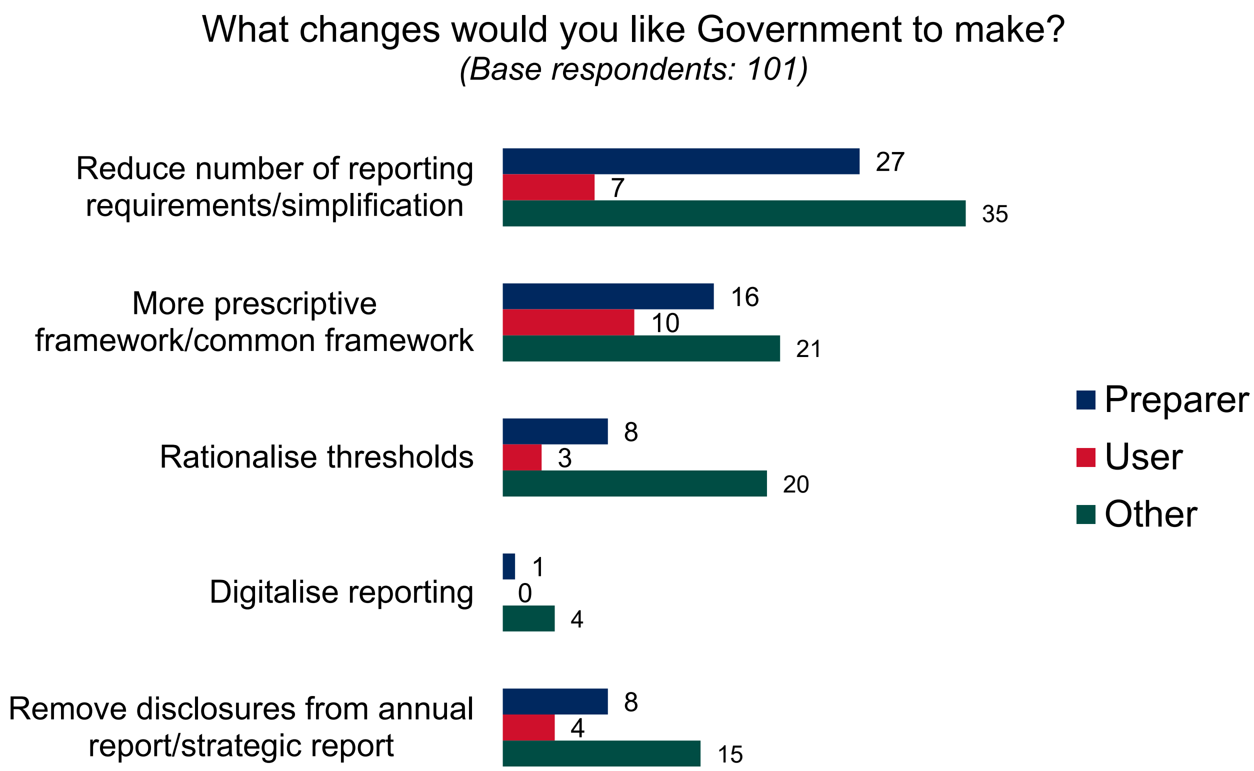
Whether or not to invest in a company

"The provision of relevant non-financial information is essential for investors' assessments of a company's prospects. The extent to which non-financial information supports judgements on whether to invest in a company will depend on the various factors discussed in response to questions 16 and 17 and to the points immediately above", **ICAEW**

"Investors seek to create long-term value for clients through managing risk and opportunity. The responsible management and oversight of capital involves identifying and managing both financial and strategic risks that may impact long-term value in order to support behaviour that will lead to sustainable returns. Investors will increasingly manage these risks through incorporating a wider set of financial and material sustainability-related risks into the investment process, which may impact the cost of capital, thus leading to better investment outcomes for clients. The assessment of these factors informs investment decision making and stewardship activities- with investors' supporting as well as challenging companies to manage their material risks and impacts in order to promote a well-functioning market", **Investment Association**

The following questions (12-16) were aimed at all respondents.

12. What changes, if any, would you like the UK Government to make to the current legal requirements for companies to prepare non-financial information, and why?



63% of all respondents answered this question. Most respondents called for a reduction in the number of reporting requirements or for simplification. Taken together with the theme of removing disclosures from annual report/strategic report, the position is even stronger.

Collectively, respondents wrote the most in answer to this question.

In many instances, respondents noted that there was a degree of duplication in existing requirements or argued for the removal of requirements that they felt added little value to both the preparer and user of non-financial information.

"We would welcome any measures to remove duplication and ensure that reporting requirements for non-financial information are streamlined and reduce reporting cost and resource requirements for companies", **FTSE 100 company**

"More specifically, we urge the Government to consider certain areas in particular, relating to directors' remuneration reporting and the Directors' Report. We believe that there are some amendments that could be made where certain requirements add little value to reporting", **The Quoted Companies Alliance**

"The government may also wish to consider whether other disclosures can now be removed or placed elsewhere as following the UK's exit from the EU, the UK is no longer required to retain requirements transposed from EU legislation. For example, information about financial instruments, currently contained in the directors' report, derives from the EU Accounting Directive and might now be removed as it is also included in the financial statements. We believe that the annual report is no longer the right place for many of the contents of the directors' report. Narrative information relevant to an understanding of the business is now contained in the strategic report, leaving the directors' report in many cases as containing little more than cross-references to other locations in the annual report and standing information of a factual nature which is not necessary for an understanding of the development, performance and position of the business", **Deloitte LLP**

A recurring theme from those calling for simplification was to address corporate reporting at group level.

> "Bring in an exemption for a S172 statement for subsidiaries of a Group where the Parent reports a S172 statement. At a subsidiary level this can be very boiler plate and provides little value. In general consider whether any non-financial reporting should be applicable on a subsidiary level where a parent reports on it", **National Grid plc**

> "Improve scoping: provide exemptions for intermediate holding companies (e.g. for s172 statements), but tidy up legislation to ensure that thresholds are considered on a group basis and that cases of companies having assets in one company in a group, employees in another and turnover in a third are considered as a whole, perhaps through consideration of common ownership even if not by a body corporate or outside the UK", **Mazars**

> "To the extent that non-financial information is provided by a UK parent company, appropriate exemptions should be given for the provision of non-financial information at a subsidiary level unless required for regulatory reasons", **investment company**

Just under half of respondents called for implementation of a more prescriptive and common framework.

> "For non-financial information, the company should be able to decide what is critical and material to its stakeholders and prepare disclosures on this basis. In certain circumstances, a single approach should be defined for critical disclosures, to ensure consistency in the market on important non-financial reporting requirements. This single approach should be based an internationally accepted framework/standard that enables consistency across peers and country reporting", **Spirax Sarco Engineering plc**

> "For an effective reporting framework, regulators should ensure coherency between the FCA's SDR, the FCA's Listing Rules, and the Companies Act 2006 requirements. We recommend that the DBT and FRC undertake an analysis to uncover equivalency between these requirements. For example, whether SDR reporting could be sufficient for financial market participants to demonstrate compliance with certain non-financial reporting requirements. This equivalency matching could reduce reporting burdens and allow for greater coherence between the two regimes", **United Nations-Principles for Responsible Investment**

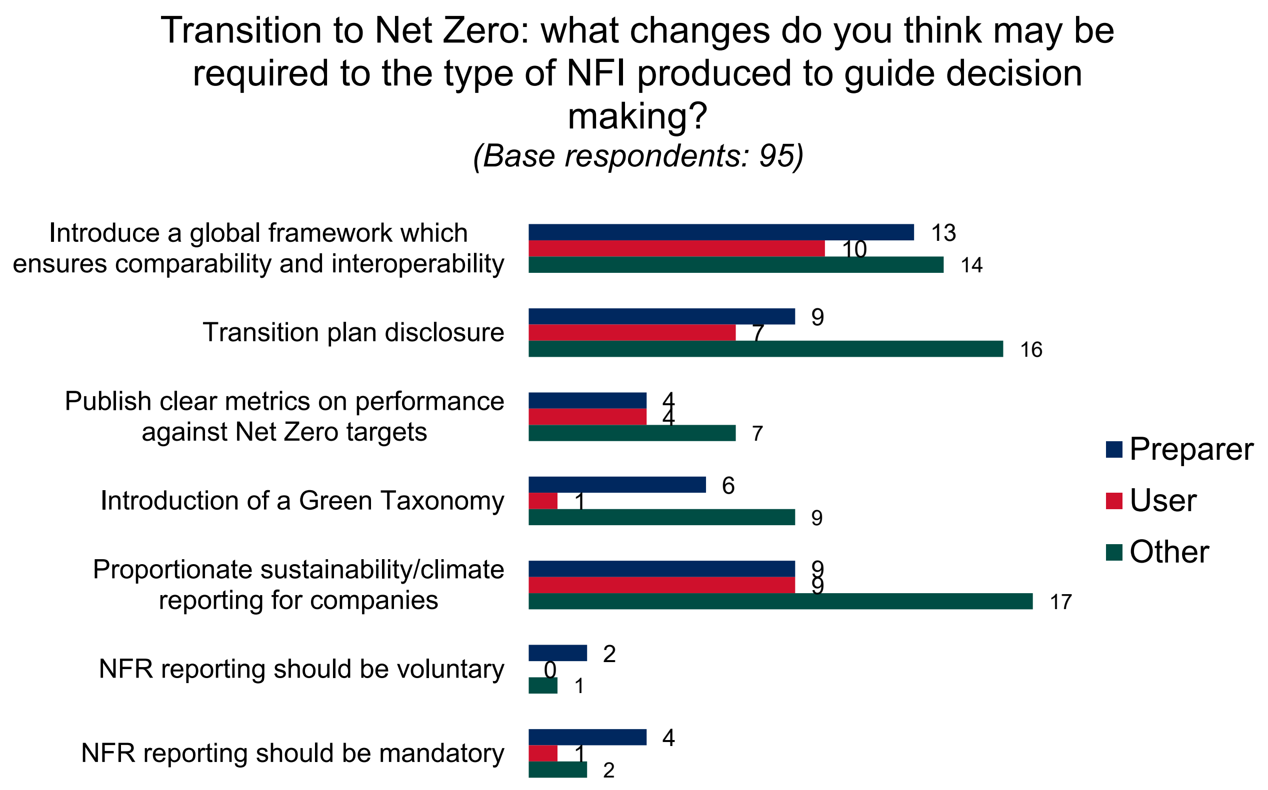
About a third of respondents suggested that the government should rationalise thresholds, both in terms of company size but also in terms of other criteria used to determine whether reporting requirements apply or not.

> "We exhort the DBT to rationalise and simplify these thresholds using a single consistent determinant; we believe that the company size definitions are a more appropriate measure", **Ancoram Limited**

"When a company also has to consider regulatory requirements such as the Listing Rules, the Disclosure and Transparency Rules and corporate governance codes, the scoping of NFR disclosures becomes extremely complex and confusing. We regularly deal with questions in relation to the narrative scoping and it is understandable that entities can become confused about their reporting requirements. From a user's perspective, it can be unclear why disclosures are not consistent from entity to entity. In our opinion, it has become necessary to review all the different reporting criteria and grasp the opportunity to simplify the thresholds across the NFR regulations. Once the purpose and objective of the annual report has been clarified, the needs of users could be used in determining appropriate thresholds and criteria", **BDO LLP**

"The government should simplify the thresholds for reporting. These are currently unclear and confusing, and inconsistent with other government definitions of small, medium and large businesses", **business representative body**

13. Thinking about the future of your organisation and the UK's transition to a net zero economy, what changes, if any, do you think may be required to the type of non-financial information produced to guide decision making, and why?



Just under 60% of respondents to the call for evidence answered this question, amongst these there were a notable number of skeptical responses about the aim of transitioning to net zero that did not directly answer the question.

Of those respondents who provided more substantial answers, the need for comparability and interoperability, along with transition plan disclosure, as well as a plea for proportionate sustainability/climate reporting, were amongst the key changes respondents felt were required to NFR information to guide decision making.

The largest theme to emerge from this question was for an international framework which ensures comparability and interoperability.

> "Any new non-financial reporting frameworks that are endorsed, mandated, or become law must be developed to be interoperable with other standards and for various entities, otherwise an unnecessary burden will be placed on report preparers and users. Any requirements that become law should align with and lever other new requirements such as the Disclosure framework and implementation guidance due imminently from the UK's Transition Plan Taskforce", **ICAS**

> "To minimise fragmentation of standards, and reduce reporting burden, UK Non-Financial Reporting Requirements must adopt the International Sustainability Standard Board (ISSB) standards and promote interoperability with EU CSRD. The UK should also leverage its influence in key international fora such as the IPSF to encourage other jurisdictions to adopt ISSB standards", **E3G**.

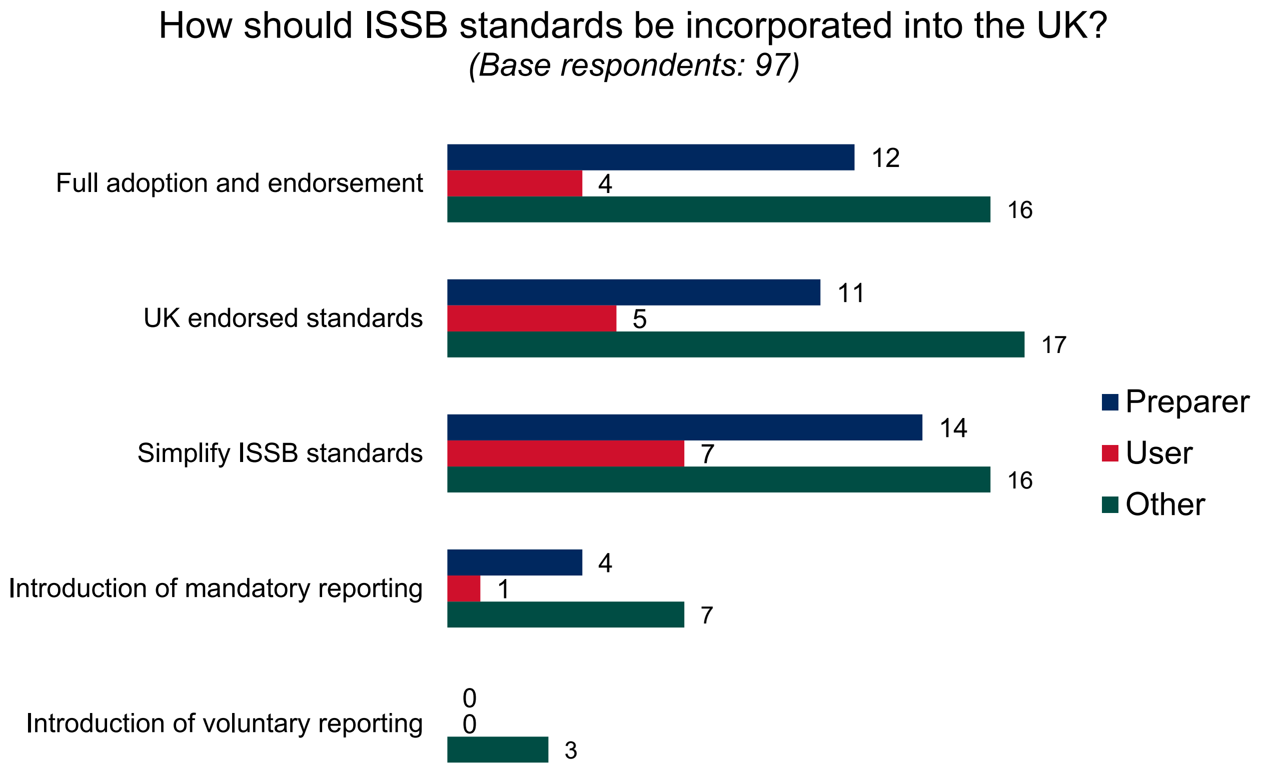
The move toward transition plan disclosures was also a feature of responses.

> "For our members high-quality and robust transition plans are important to create transparency and accountability around how companies will meet their net-zero targets. As a member of the Transition Plan Taskforce (TPT) delivery group, the IA has supported the TPT's ambitions to create a framework which will assist entities to disclose credible, useful and consistent transition plans. Reporting progress against the plan needs to be consistent with other corporate reporting norms such as TCFD or ISSB aligned disclosures. We believe that this will promote consistency, enable standardisation in corporate disclosure, as well as integration of international financial flows within company transition reporting", **Investment Association**

> "In the context of transition to a net-zero economy, the progress against a company's net-zero commitments will become increasingly important for the investors going forward. The framework that is being developed by Transition plans taskforce would be useful instrument to facilitate consistency of disclosures over transition plans in the annual reports. The adoption of this framework in the UK however should come with a clear position on interconnectivity with IFRS Sustainability standards to avoid additional complexity and duplication", **BDO LLP**

> "The UK's non-financial reporting requirements should mandate companies to prepare transition plans and disclose the scenarios used for these plans. These plans should be accompanied by key assumptions underpinning these scenarios. As the Climate Change Committee's 2023 report highlights, the policy frameworks for the transition to net zero must develop urgently to meet future targets. A review of non-financial reporting requirements presents a unique opportunity to bring such transparency in the UK", **United Nations-Principles for Responsible Investment**

14. How should the standards being prepared by the International Sustainability Standards board (ISSB) be incorporated into the UK's non-financial reporting framework?



Approximately 60% of respondents answered this question, amongst these answers there were a notable number of sceptical responses.

Most respondents support the ISSB standards. Overall, the difference between respondents welcoming UK-endorsed set of standards over full adoption and endorsement of the ISSB standards was marginal.

> "The ISSB's standards are based on the framework established by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), which have already been implemented within the UK regulatory framework. Therefore, adoption of the ISSB standards is a natural next step to build on the progress already made through TCFD and harmonise requirements across jurisdictions, all the while limiting adjustment costs for users and preparers alike", **United Nations-Principles for Responsible Investment**

> "We strongly support the ISSB's standards for sustainability reporting as an important milestone in achieving a global baseline of consistent, high-quality, and comparable sustainability information addressing the needs of capital markets. We welcome the recent call for evidence on UK endorsement of IFRS S1 and IFRS S2 issued by the FRC in its role as the Secretariat to the UK Sustainability Disclosure Technical Advisory Committee, and we support adoption of the ISSB standards in the UK as soon as possible. We firmly believe that adopting the ISSB standards for the UK economy will demonstrate clear leadership that will be influential internationally and will help to establish a consistent and comparable global baseline for the reporting of decision-critical sustainability information", **Deloitte LLP**

> "We are fully supportive of the IFRS Sustainability Disclosure Standards being endorsed for use in the UK. However, we would like to highlight that more time is needed by companies

to develop a mature and robust sustainability reporting capability, and this should be considered by DBT as part of this review and in the endorsement of the IFRS Sustainability Disclosure Standards”, **Association of British Insurers**

A number of respondents indicated the standards should simplify non-financial reporting.

> “The ISSB’s objective of providing a global baseline of sustainability-related disclosure standards is broadly welcomed by the QCA and reporting against these standards will help in simplifying sustainability-related disclosures for companies”, **The Quoted Companies Alliance**

> “The ISSB’s inaugural standards should, if implemented well, go a long way in allaying the demands for alignment and simplification. The Institute welcomes the transfer of the monitoring responsibilities of the TCFD to the ISSB, which is a logical step given IFRS S1 and IFRS S2 largely incorporate the recommendations of the TCFD”, **The Chartered Governance Institute UK & Ireland**

More respondents called for the introduction of mandatory reporting over voluntary reporting. However, a number of respondents calling for mandatory reporting did so while expressing that a period of voluntary reporting should happen first.

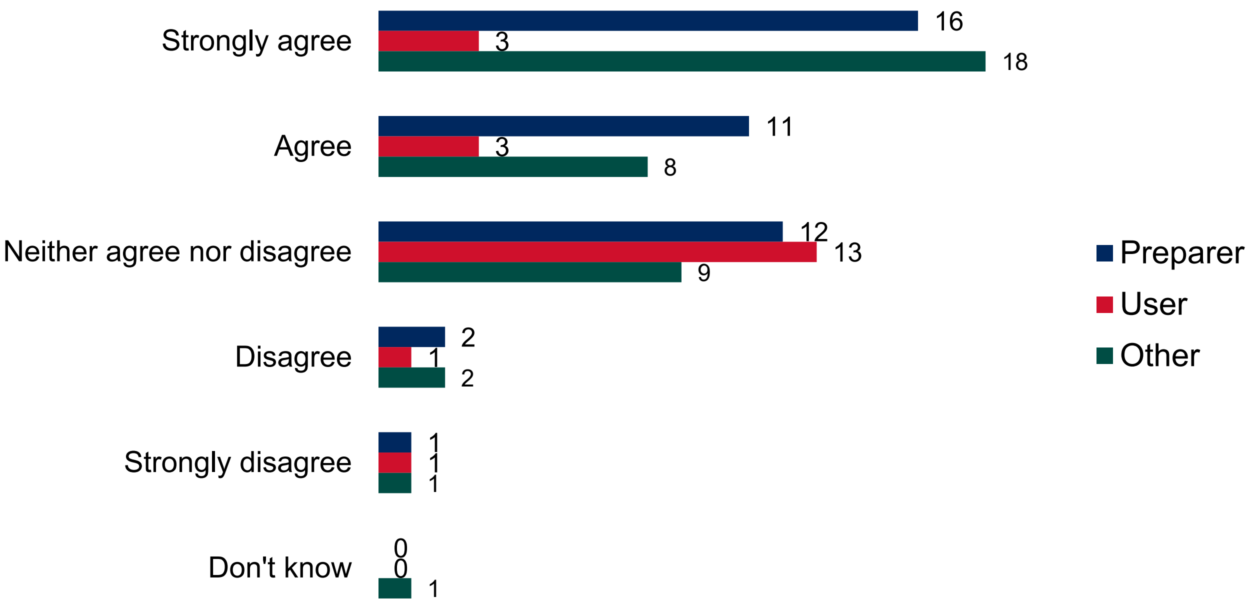
> “It would be helpful for DBT to encourage voluntary adoption of the ISSB’s standards by in-scope UK companies. This will create a period of transition and learning for companies prior to mandatory adoption. We also stress the importance of companies being given sufficient lead time to prepare for first time adoption, and that, depending on decisions related to scope, a phased approach is considered”, **ICAEW**

> “Companies in scope should be encouraged to apply the ISSB’s standards voluntarily in 2023/4 and then on a mandatory basis from the 2024/5 sustainability reporting cycle on-wards. This should follow the same approach as with TCFD, that is, an initial voluntary period then a phased mandatory approach beginning with premium listed companies before extending to wider parts of the economy. This staged-approach can be fairly quick, as the ISSB standards build upon the four pillars that make up the TCFD’s core content components so should companies in scope of TCFD should be familiar already”, **Aldersgate Group**

> “If the aim of the government is to get more companies to prepare for net zero or to support the UK’s transition to net zero then its questionable whether mandatory disclosures are necessary to do this. For example, without mandatory intervention, a majority of FTSE 100 companies that have already voluntarily set net zero targets and had net zero targets including interim targets validated by the Science Based Target Initiative. Therefore companies are already voluntarily making decisions that support the UK’s transition to net zero”, **National Grid plc**

15. To what extent do you agree or disagree that current size and company type thresholds for non-financial reporting information could benefit from simplification? Please explain your answer.

Could the current size and company type thresholds for NFR benefit from simplification?
(Base respondents: 102)



Nearly two thirds of all respondents answered this question. Of those, 58% either strongly agreed or agreed that thresholds could benefit from simplification. Most preparers and other respondents strongly agreed/agreed that thresholds could benefit from simplification. Users were more neutral in their response.

This question elicited the second largest volume of material from respondents after the responses to the question what changes should government make (which also included answers calling on government to address thresholds),.Across all company sizes, respondents from large companies were more pronounced in strongly agreeing/agreeing that thresholds would benefit from simplification.

Understandably, the main reason respondents gave for their call for simplification is that current thresholds are too complex.

> “The very fact that the survey needs to point out that there's a separate question on size thresholds as they apply to Company House filings says it all”, **individual respondent**

> “A number of new thresholds have been introduced or proposed recently. These include: the Companies Miscellaneous Reporting Regulations governance reporting (OEPI) threshold (£2bn assets+ £200m turnover or 2,000 employees, high turnover companies (£500m of turnover (itself not well defined for financial entities) and 500 employees), AIM companies with 500 employees, and the proposed Companies with Higher levels of Employees and Turnover (£750m, 750 employees). These all seem to be aimed a general category which could be described as “very large”. Rationalising these into a single category would be likely to improve compliance and simplify reporting. Efforts should be made to ensure all of these apply on a group basis rather than on a single-company level to avoid some groups of entities falling outside scope due to their structure”, **Mazars**

> “There are many different thresholds for companies to assess disclosure requirements for non-financial information and confusion can arise on interpretation. The cost and resource burden of reporting for smaller entities are unlikely to be proportionate to the benefits they receive as a commercial organisation”, **FTSE 100 company**

> “The numerous and various scope requirements for non-financial reporting mean the rationale as to why certain information is relevant to users has been somewhat lost. Consideration of the scope criteria also absorbs a disproportionate amount of time for both preparers and auditors that would be better spent on the content of an entity’s non-financial reporting. As such, we are very supportive of simplifications to address these points”, **RSM UK Tax and Accounting Limited**

> “Company type thresholds could benefit from simplification, bringing them in line with wider reporting requirements”, **Legal & General Group plc**

> “We support a comprehensive review of the various applicable thresholds to determine whether these can be simplified. We support simplification of the thresholds, but simplification shouldn’t undermine proportionality. We think the traditional Companies Act 2006 thresholds and the additional non-financial reporting thresholds applied to the largest companies should fall within the scope of this review. The review should also cover the qualitative as well as the quantitative aspects of thresholds”, **ICAS**

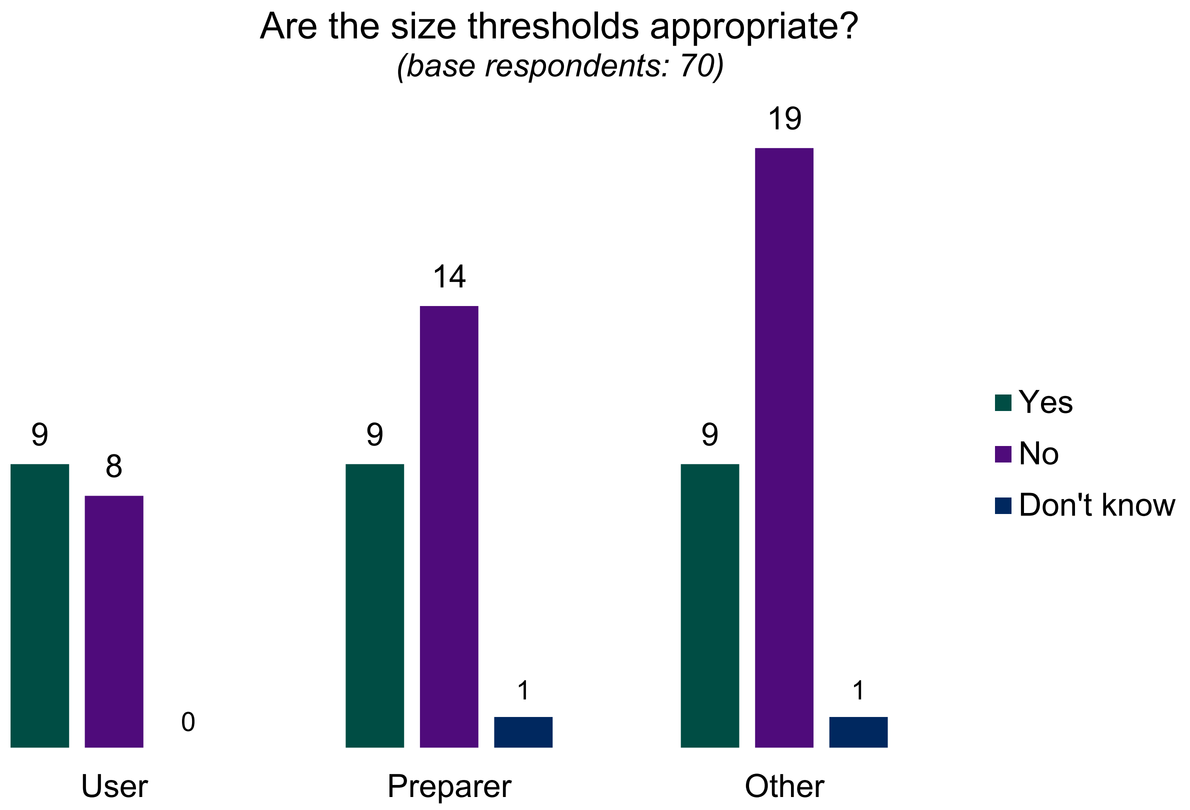
A significant proportion of respondents also raised simplification when it comes to group reporting.

> “There should be a simplification of the thresholds to ensure that all relevant companies that may have a material impact on the energy transition. This should include alignment with large private companies and listed companies. There should also be greater scope for reliance on group reporting and reducing the compliance burden on subsidiary companies where group reporting is prepared”, **National Grid plc**

> “As a large, listed, group it would be beneficial if reporting exemptions were available (for all non-financial rules) for subsidiaries of the group where the data of that company has been included within consolidated disclosure for the group. At present the subsidiaries are required to prepare non-financial reporting disclosures, which can become a tick-box exercise of compliance, defeating the purpose of the requirements and resulting in excessive cost of preparation and audit of the non-financial information. In our view, the consolidated reporting of large, listed entities is of more relevance and interest to stakeholders than the standalone information of subsidiaries. In our view, simplification of reporting thresholds, coupled with disclosure exemptions for subsidiaries included within consolidated reporting, would still bring large unlisted corporates into scope, but ease the burden for large groups”, **SSE plc**

> “There should be a consistent approach to the level at which reporting is required. For some regulations, the reporting is required at group level; other regulations require reporting by all entities, including subsidiaries. This not only causes confusion for businesses around ensuring they are compliant, but also around the monitoring”, **Family Business UK**

16. Do these size thresholds remain appropriate? Please explain your answer and what, if any, changes you would like to see.



Of those who answered this question, most preparers and other respondents indicated that the size thresholds are not appropriate. Across users, there was approximately an equal split between the thresholds being appropriate. Examining differences across company size, most large and micro company respondents indicated that the size thresholds are not appropriate.

A majority of respondents called for the qualifying criteria to be raised, particularly the monetary aspects, as several respondents noted that these have not been adjusted for inflation since they were last changed.

> "The purpose of the size thresholds is to reduce the financial reporting and audit requirement burden on smaller entities. As these size thresholds do not increase in line with a measure of inflation many entities have ceased to qualify as small over that intervening period, even though their increases in revenue and gross assets do not reflect any greater level of economic activity. Our view is that the size thresholds should be increased to reflect the impact of inflation since they were last amended and that a process be put in place to revisit those size limits periodically", **Chartered Accountants Ireland**

> "The thresholds for small and medium-sized companies have been in place for several years. In light of the passage of time since the last review in 2015, and given that there is no longer any constraint arising from EU law, we recommend reviewing the thresholds to ensure that they take appropriate account of inflation and remain appropriate for the UK economy. The government could also consider implementing a regular review process for these size limits (e.g. every five years)", **Deloitte LLP**

> "In our view, the size thresholds are low and have been eroded by inflation since being set. The disclosure requirement of non-financial information would be better applied by considering the size of the group 'TopCo' as opposed to application of the size threshold at the individual entity level", **SSE plc**

Respondents that found the qualifying criteria that determine company size to be problematic in some way also suggested re-defining them:

> “However, if the Government decides to continue to use the existing size criteria of total assets, turnover and number of employees, we recommend that the definitions of these are reviewed to make sure they remain fit for purpose and reflect business practice. For example, an entity’s workforce may be fluid comprising both employees, workers, and contractors yet it’s size will be determined on the number of employees which may make up a relatively small proportion of the workforce”, **assurance and advisory firm**

> “As part of the review of the existing size categories, we suggest DBT also revisits the existing definitions of ‘turnover’ and ‘employee numbers’ that are used for the purpose of determining the size of companies. The definition of ‘employee’ needs to be reconsidered to capture the entire workforce, rather than just the employees of the company. We recognise that this is an area that has the potential to be complex and that any revisions to the definition would need to be sufficiently straightforward to understand and apply. The definition of ‘turnover’ is also problematic for the purposes of categorising companies by size in sectors such as banking and insurance. This has been an issue for a number of years and is something that could be usefully reviewed as part of any plans to revise the existing size categories”, **ICAEW**

> “We would suggest that Annual return and Balance sheet total thresholds could be increased higher to reflect high inflation and change in economic condition. Additionally, other threshold such as profit/loss could be used to identify what type of accounts a company needs to prepare because revenue does not equal to profit”, **FTSE 100 company**

> “However, we support a more radical review of the metrics used to determine the reporting requirements placed on companies. We’re not suggesting specific recommendations on this point, but rather reflecting on how risk could play a part in assessing a company’s financial and non-financial reporting requirements. A current example is the exclusion of some companies from the small companies’ regime if they were a public company or involved in certain financial services activities during the reporting period”, **ICAS**

Some respondents considered removing either the small or medium category or merging categories together.

> “We do not believe that the current size categories for UK companies remain appropriate. In our view, the medium size classification provides little benefit to entities and should be removed, with the small size thresholds increased to capture companies that are not large. This would not only reduce the burden of reporting for approximately 40,000 companies, but would also remove unnecessary complexities from existing legislation. This, combined with our earlier suggestion that there should be a single definition of a PIE for the purpose of Part 15 of the Act, would mean that there would be four types of entities: micro, small, large and PIE. We do not see such a change as a barrier to growth, in fact it could be seen as the opposite since the threshold for a small company would be raised”, **ICAEW**

> “In our view, the medium size classification provides little benefit to entities and should be removed, with the small size thresholds increased to capture companies that are not large. This would not only reduce the burden of reporting for approximately 40,000 companies, but would also remove unnecessary complexities from existing legislation”, **Big 4 Firm**

> “The differences between the financial statements for medium and large companies have become less over the last few years – many exemptions which were previously allowed for medium companies have been withdrawn and in relation to the strategic report there are now only 2 differences (non-financial KPIs and S172 statement) with a similar position for

> the directors report (SECR being the main one). Therefore is it still necessary to retain the medium category? The thresholds could be simplified by removing the medium category and also increasing the threshold for small entities. When the size thresholds were last set in Europe, the UK position at the time was that the thresholds could be higher", **BDO LLP**

And finally, other respondents also suggested alternative qualifying criteria to determine company size.

> "Balance sheet total is a meaningless concept - not used in financial reporting. Why not use net assets, or total assets, or some other such common metric?", **individual respondent**

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Summary

This document sets out the main findings from the Government's call for evidence on non-financial reporting which was open from 24 May 2023 to 16 August 2023.

Further changes the Government intends to make to the UK's framework for corporate reporting.

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