

Corporate Governance Reporting: are you prepared?

Listed PLCs' preparations are well underway for compliance with the 2018 Corporate Governance Code (**Code**). Preparation for compliance with The Companies (Miscellaneous Reporting) Regulations 2018 (**2018 Regs**)¹ is much less advanced, largely due to continued uncertainty as to their scope and, in particular, whether they apply to listed PLCs and their groups at all. Confusion is understandable given the overlap with the Code, and the complex compliance thresholds. The 2018 Regs do apply to listed groups and, if not already commenced, UK PLCs need to start identifying relevant reporting companies and preparing for compliance. **See over for suggested next steps and insight into market practice.**

Below is a summary of the key requirements and thresholds:

2018 Regs Reporting Requirement ²	Impact on premium listed UK PLC (ListCo)	Threshold for UK subsidiaries of ListCo
Include a s172 statement in the strategic report describing <i>how</i> the directors have had regard to the matters set out in s172(1) (a) to (f), Companies Act 2006, when performing their duty under s172	ListCo to include a s172 statement Overlap with Code provision 5	Applies to all UK incorporated subsidiaries that are already required to prepare a strategic report ³ Statement must also be made available on a website ⁴
Include a corporate governance statement in the directors' report stating either: (i) which corporate governance code was applied during the preceding year; or (ii) why no code was applied and what corporate governance arrangements were in place	ListCo is exempt as it already provides a corporate governance statement (Listing Rule 9 and DTR 7.2)	Applies to any " <i>very large</i> " UK company not already reporting on corporate governance compliance with (on a standalone basis): (i) > 2,000 employees (wherever located); and/or (ii) a turnover of > £200 mn AND balance sheet total of > £2 bn If a subsidiary meets the qualifying threshold, consider reporting against the Wates Principles which have been developed for large private companies Statement must also be made available on a website ⁴
Include an employee engagement statement in the directors' report	ListCo to include a statement if it meets the threshold to the right Overlap with Code provision 5	Applies to any UK company with > 250 UK employees (if a parent company, look at the number of UK employees in the group)
Include a statement on fostering business relationships with suppliers, customers and others in the directors' report	ListCo to include a statement if it meets the threshold to the right	Applies to any UK company meeting 2 or more of (on a standalone basis): (i) turnover of > £36 mn; (ii) balance sheet total of > £18 mn; or (iii) > 250 employees wherever located
Include CEO pay ratio information in the remuneration report	ListCo to include this information if it has > 250 UK group employees	Applies to " <i>quoted</i> " UK companies with > 250 UK group employees (if a parent company, look at the number of UK employees in the group)

¹ 2018 Regulations can be accessed [here](#) and apply to FYs starting on or after 1 Jan 2019. Accompanying FAQs can be accessed [here](#).

² Further analysis is required where a company moves between qualifying thresholds in two consecutive FYs. The thresholds are complex and specific legal advice should always be sought on application.

³ UK subsidiaries of ListCo that meet the qualifying thresholds for a small company (except for PLCs and certain regulated companies including insurance or banking companies, e-money issuers, MiFID, investment firms and UCITS management companies) will be exempt from the requirement to prepare a strategic report.

⁴ This can be the parent company website as long as it identifies all relevant companies. Companies can choose to publish the entire annual report, or the standalone statement.

