

## **Appendix 3.04.4 Non-Financial Reporting Requirements**

These are the FRC requirements.

For those companies within the scope of the new regulations there are some additional requirements. All quoted companies are already required to provide some information on environmental, employee, social, community and human rights matters in their Strategic Report. Similar to the pre-existing requirements, disclosures relating to most of these requirements are only required when the information would be material.

The additional information required is:

- A requirement for companies to provide information that enables an understanding of the impact of its activity;
- disclosure of anti-bribery and anti-corruption matters;
- A description of any due diligence processes implemented by the company in pursuing the policies relating to non-financial matters; and the outcome of those policies; and
- A description of the principal risks arising in connection with the company's operations including, where relevant and proportionate, a description of business relationships, products and services which are likely to cause adverse impacts in those areas of risk; and how the company manages those principal risks.

Irrespective of materiality, where a company does not pursue policies in relation to environmental, employee, social, respect for human rights, anti-corruption and anti-bribery matters, the company must provide a clear and reasoned explanation for not doing so.

Link: <https://www.frc.org.uk/getattachment/3dfe0ac6-ac6d-41a0-91bf-df98cbba0ad6/Non-Financial-Reporting-Factsheet-Final.pdf>

[http://www.ey.com/Publication/vwLUAssets/EY\\_-\\_Annual\\_Reporting\\_in\\_2016-17/\\$FILE/ey-annual-reporting-in-2016-17.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Annual_Reporting_in_2016-17/$FILE/ey-annual-reporting-in-2016-17.pdf)

### **What are the new FRC requirements?**

Section 414CB requires information, to the extent necessary for an understanding of the company's development, performance, and position and the impact of its activity, relating to, as a minimum:

- (a) Environmental matters (including the impact of the company's business on the
- (b) The company's employees
- (c) Social matters;
- (d) Respect for human rights; and
- (e) Anti-corruption and anti-bribery matter

The information must include:

- (a) A description of the company's business model;
- (b) A description of the policies pursued by the company in relation to the matters mentioned above and any due diligence processes implemented by the company in pursuance of those policies;
- (c) A description of the outcome of those policies
- (d) A description of the principal risks relating to the matters above arising in connection with the company's operations and, where relevant and proportionate:

- (i) A description of its business relationships, products and services which are likely to cause adverse impacts in those areas of risk; and
- (ii) A description of how it manages the principal risks; and
- (e) A description of the non-financial key performance indicators relevant to the company's business.

If the company does not pursue policies in relation to one or more of the matters noted above, a clear and reasoned explanation for not doing so must be disclosed.

**If I am a quoted company, what are the new FRC additional disclosures?**

If you are a quoted company and subject to the new NFR requirements, you previously had to comply with s414C(7), which contains similar, but not identical reporting requirements. The most significant changes in disclosures are:

- Reporting on the impact of the company's activities – this impact should also be considered when disclosing principal risks and KPIs;
- Disclosing information relating to anti-bribery and anti-corruption;
- Disclosure of business relationships, products and services which are likely to cause adverse impacts;
- Different disclosures relating to policies (see question 7 below); and
- Due diligence disclosures.

For those companies, where there is no requirement to disclose non-financial information, the FRC encourages proportionate disclosure as good practice for all reporters where relevant.