



Companies Act 2006

2006 CHAPTER 46

PART 15

ACCOUNTS AND REPORTS

[^{F1} CHAPTER 4A

STRATEGIC REPORT

Textual Amendments

- F1** Pt. 15 Ch. 4A inserted (with effect in accordance with reg. 1(4) of the amending S.I.) by [The Companies Act 2006 \(Strategic Report and Directors' Report\) Regulations 2013 \(S.I. 2013/1970\)](#), regs. 1(2)(3),**3**

Modifications etc. (not altering text)

- C1** Pt. 15 Ch. 4A applied in part (with modifications) by [S.I. 2008/565, reg. 3](#) (as substituted (with effect in accordance with reg. 2(4) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), [Sch. 2 para. 3](#) (with reg. 2(6)(7)))

414A Duty to prepare strategic report

- (1) The directors of a company must prepare a strategic report for each financial year of the company.
- (2) Subsection (1) does not apply if the company is entitled to the small companies exemption.
- (3) For a financial year in which—
 - (a) the company is a parent company, and
 - (b) the directors of the company prepare group accounts,

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the strategic report must be a consolidated report (a “group strategic report”) relating to the undertakings included in the consolidation.

- (4) A group strategic report may, where appropriate, give greater emphasis to the matters that are significant to the undertakings included in the consolidation, taken as a whole.
- (5) In the case of failure to comply with the requirement to prepare a strategic report, an offence is committed by every person who—
 - (a) was a director of the company immediately before the end of the period for filing accounts and reports for the financial year in question, and
 - (b) failed to take all reasonable steps for securing compliance with that requirement.
- (6) A person guilty of an offence under this section is liable—
 - (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.

Modifications etc. (not altering text)

- C2** S. 414A applied (with modifications) by S.I. 2008/1911, reg. 12A (as inserted (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 3 para. 4** (with reg. 2(6)(7))

414B Strategic report: small companies exemption

A company is entitled to [^{F2}the] small companies exemption in relation to the strategic report for a financial year if—

- (a) it is entitled to prepare accounts for the year in accordance with the small companies regime, or
- (b) it would be so entitled but for being or having been a member of an ineligible group.

Textual Amendments

- F2** Word in s. 414B inserted (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Companies, Partnerships and Groups \(Accounts and Reports\) Regulations 2015 \(S.I. 2015/980\)](#), regs. 2(1), **6** (with reg. 3)

414C Contents of strategic report

- (1) The purpose of the strategic report is to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company).
- (2) The strategic report must contain—
 - (a) a fair review of the company’s business, and
 - (b) a description of the principal risks and uncertainties facing the company.
- (3) The review required is a balanced and comprehensive analysis of—
 - (a) the development and performance of the company’s business during the financial year, and

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- (b) the position of the company’s business at the end of that year, consistent with the size and complexity of the business.
- (4) The review must, to the extent necessary for an understanding of the development, performance or position of the company’s business, include—
- (a) analysis using financial key performance indicators, and
 - (b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.
- (5) In subsection (4), “key performance indicators” means factors by reference to which the development, performance or position of the company’s business can be measured effectively.
- (6) Where a company qualifies as medium-sized in relation to a financial year (see sections 465 to 467), the review for the year need not comply with the requirements of subsection (4) so far as they relate to non-financial information.
- (7) In the case of a quoted company the strategic report must, to the extent necessary for an understanding of the development, performance or position of the company’s business, include—
- (a) the main trends and factors likely to affect the future development, performance and position of the company’s business, and
 - (b) information about—
 - (i) environmental matters (including the impact of the company’s business on the environment),
 - (ii) the company’s employees, and
 - (iii) social, community and human rights issues,including information about any policies of the company in relation to those matters and the effectiveness of those policies.
- If the report does not contain information of each kind mentioned in paragraphs (b) (i), (ii) and (iii), it must state which of those kinds of information it does not contain.
- (8) In the case of a quoted company the strategic report must include—
- (a) a description of the company’s strategy,
 - (b) a description of the company’s business model,
 - (c) a breakdown showing at the end of the financial year—
 - (i) the number of persons of each sex who were directors of the company;
 - (ii) the number of persons of each sex who were senior managers of the company (other than persons falling within sub-paragraph (i)); and
 - (iii) the number of persons of each sex who were employees of the company.
- (9) In subsection (8), “senior manager” means a person who—
- (a) has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company, and
 - (b) is an employee of the company.
- (10) In relation to a group strategic report—
- (a) the reference to the company in subsection (8)(c)(i) is to the parent company; and

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- (b) the breakdown required by subsection (8)(c)(ii) must include the number of persons of each sex who were the directors of the undertakings included in the consolidation.
- (11) The strategic report may also contain such of the matters otherwise required by regulations made under section 416(4) to be disclosed in the directors' report as the directors consider are of strategic importance to the company.
- (12) The report must, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts.
- (13) Subject to paragraph (10), in relation to a group strategic report this section has effect as if the references to the company were references to the undertakings included in the consolidation.
- (14) Nothing in this section requires the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the company.

Modifications etc. (not altering text)

- C3** S. 414C applied (with modifications) by S.I. 2008/1911, reg. 12A (as inserted (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 3 para. 4** (with reg. 2(6)(7))

Non-financial information statement

414CA

- (1) A strategic report of a company must include a non-financial information statement if the company was at any time within the financial year to which the report relates—
 - (a) a traded company,
 - (b) a banking company,
 - (c) an authorised insurance company, or
 - (d) a company carrying on insurance market activity.
- (2) If the company's strategic report is a group strategic report, the non-financial information statement to be included in the report under subsection (1) must be a consolidated statement (a "group non-financial information statement") relating to the undertakings included in the consolidation.
- (3) Subsection (1) does not apply if—
 - (a) the company is subject to the small companies regime in relation to that financial year (see sections 382 to 384), or
 - (b) the company qualifies as medium-sized in relation to that financial year (see sections 465 to 467).
- (4) Subsection (1) does not apply if—
 - (a) where the company was not a parent company in that financial year, the company had no more than 500 employees in that financial year, or
 - (b) where the company was a parent company at any time within that financial year, the aggregate number of employees for a group headed by that company in that financial year was no more than 500.

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- (5) The number of employees means the average number of persons employed by the company in the year, determined as follows—
- (a) find for each month in the financial year the number of persons employed under contracts of service by the company in that month (whether throughout the month or not),
 - (b) add together the monthly totals, and
 - (c) divide by the number of months in the financial year.
- (6) The aggregate number of employees for a group is ascertained by aggregating the relevant figures determined in accordance with subsection (5) for each member of the group.
- (7) Subsection (1) does not apply if the company is a subsidiary undertaking at the end of that financial year and is included in—
- (a) a group strategic report of a parent undertaking of the company that satisfies the requirements in subsection (8), or
 - (b) a report that satisfies the requirements in subsection (9).
- (8) The requirements in this subsection are that—
- (a) the group strategic report relates to undertakings that include the company and its subsidiary undertakings (if any),
 - (b) the report is prepared for a financial year of the parent undertaking that ends at the same time as, or before the end of, the company's financial year, and
 - (c) the report includes a group non-financial information statement in respect of all the undertakings included in the consolidation.
- (9) The requirements in this subsection are that—
- (a) the report is—
 - (i) a consolidated management report under Article 29 of [Directive 2013/34/EU](#) of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, or
 - (ii) such separate report as is referred to in Article 19a(3) or 29a(3) of that Directive,
 - (b) the report is the report of a parent undertaking of the company established under the law of an EEA State,
 - (c) the report relates to undertakings that include the company and its subsidiary undertakings (if any), and
 - (d) the report includes such information as is required by Article 19a (non-financial statement) or Article 29a (consolidated non-financial statement), as the case may be.
- (10) A company to which subsection (1) does not apply may include a non-financial information statement in its strategic report or, as the case may be, a group non-financial information statement in its group strategic report.

Textual Amendments

- F3** Ss. 414CA, 414CB inserted (with application in accordance with reg. 1(2) of the amending S.I.) by [The Companies, Partnerships and Groups \(Accounts and Non-Financial Reporting\) Regulations 2016 \(S.I. 2016/1245\)](#), regs. 1(1), 4

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414CB Contents of non-financial information statement

- (1) The non-financial information statement must contain 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 environment),
 - (b) the company’s employees,
 - (c) social matters,
 - (d) respect for human rights, and
 - (e) anti-corruption and anti-bribery matters.
- (2) The information must include—
 - (a) a brief description of the company’s business model,
 - (b) a description of the policies pursued by the company in relation to the matters mentioned in subsection (1)(a) to (e) 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 mentioned in subsection (1)(a) to (e) 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.
- (3) In subsection (2)(e), “key performance indicators” means factors by reference to which the development, performance or position of the company’s business, or the impact of the company’s activity, can be measured effectively.
- (4) If the company does not pursue policies in relation to one or more of the matters mentioned in subsection (1)(a) to (e), the statement must provide a clear and reasoned explanation for the company’s not doing so.
- (5) The statement must, where appropriate, include references to, and additional explanations of, amounts included in the company’s annual accounts.
- (6) If information required by subsections (1) to (5) to be included in the statement is published by the company by means of a national, EU-based or international reporting framework, the statement must specify the framework or frameworks used, instead of including that information.
- (7) If a non-financial information statement complies with subsections (1) to (6), the strategic report of which it is part is to be treated as complying with the requirements in—
 - (a) section 414C(4)(b),
 - (b) section 414C(7), except as it relates to community issues,
 - (c) section 414C(8)(b), and
 - (d) section 414C(12), so far as relating to the provisions mentioned in paragraphs (a) to (c).

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- (8) In relation to a group non-financial information statement, this section has effect as if the references to the company were references to the undertakings included in the consolidation.
- (9) Nothing in this section requires the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the commercial interests of the company, provided that the non-disclosure does not prevent a fair and balanced understanding of the company's development, performance or position or the impact of the company's activity.]

Textual Amendments

- F3** Ss. 414CA, 414CB inserted (with application in accordance with reg. 1(2) of the amending S.I.) by [The Companies, Partnerships and Groups \(Accounts and Non-Financial Reporting\) Regulations 2016 \(S.I. 2016/1245\)](#), regs. 1(1), 4

414D Approval and signing of strategic report

- (1) The strategic report must be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.
- (2) If a strategic report is approved that does not comply with the requirements of this Act, every director of the company who—
- (a) knew that it did not comply, or was reckless as to whether it complied, and
 - (b) failed to take reasonable steps to secure compliance with those requirements or, as the case may be, to prevent the report from being approved,
- commits an offence.
- (3) A person guilty of an offence under this section is liable—
- (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.]

Modifications etc. (not altering text)

- C4** S. 414D applied (with modifications) by S.I. 2008/1911, reg. 12A (as inserted (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), [Sch. 3 para. 4](#) (with reg. 2(6)(7)))

Status:

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Changes to legislation:

There are currently no known outstanding effects for the Companies Act 2006, CHAPTER 4A .