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[Non-financial reporting review: simpler corporate reporting - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

27 June 2024

Dear Sir / Madam

Non-financial reporting review: simpler corporate reporting

The Chartered Governance Institute UK & Ireland is the professional body for governance and the qualifying and membership body for governance professionals across all sectors. Its purpose under Royal Charter is to lead effective governance and efficient administration of commerce, industry, and public affairs working with regulators and policymakers to champion high standards of governance and providing qualifications, training, and guidance. As a lifelong learning partner, the Institute helps governance professionals achieve their professional goals, providing recognition, community, and the voice of its membership.

One of nine divisions of the global Chartered Governance Institute, which was established 130 years ago, The Chartered Governance Institute UK & Ireland represents members working and studying in the UK and Ireland and many other countries and regions including the Caribbean, parts of Africa and the Middle East.

As the professional body that qualifies Chartered Secretaries and Chartered Governance Professionals, our members have a uniquely privileged role in companies' governance arrangements. They are therefore well placed to understand the issues raised by this consultation document. In preparing our response we have consulted, amongst others, with our members. However, the views expressed in this response are not necessarily those of any individual members, nor of the companies they represent.

Our views on the questions asked in your consultation paper are set out below.

Do you agree or disagree with the uplift of the employee threshold from 250 to 500 employees for ‘medium-sized’ companies?

Agree

The Institute generally supports making reasonable adjustments (increasing thresholds) to company size classifications. We agree with the uplift of the employee threshold for three reasons. The first is that it will align with what the government considers a medium-sized business. The second is that by uplifting the size criteria, more UK companies will be able to benefit from simpler and more proportionate non-financial and financial reporting regimes. The third is that more companies will be able to claim Enhanced Relief for R&D-intensive small and medium-sized enterprises.

However, thresholds should not serve as cliff edges, as this could create challenges for companies approaching the upper limits of the medium threshold. They may find the reporting requirements for large companies so daunting that they are discouraged from pursuing further growth, and this should be avoided.

Do you agree or disagree with exempting medium-sized private companies from having to prepare a strategic report?

Agree

Generally, exempting companies from having to prepare a strategic report could reduce transparency for stakeholders like investors and employees, impacting their confidence in understanding the company's strategy and performance. However, preparing a strategic report is costly. The costs include:

- Staff Costs: Hiring or reallocating staff to gather and compile necessary information.
- Time Costs: Management and employees spend significant time preparing the report, detracting from other strategic or business-critical activities.
- Production Costs: Expenses related to designing, printing, and distributing the report.
- IT Infrastructure Costs: Investment in software and systems to support data collection and report generation.

Larger companies have more in-house experience, established reporting processes, and human resources to handle these tasks efficiently. For medium-sized private companies, the time and effort spent on reporting is time that cannot be dedicated to other essential business activities. So, exempting them from having to produce this report would streamline administrative tasks, freeing resources for core business activities.

Please provide any evidence you have regarding the usefulness of the information medium-sized private companies provide to their shareholders or other stakeholders in their strategic reports.

It is important to ensure companies can produce meaningful disclosures instead of resorting to boilerplate answers when faced with excessively demanding requirements. In this case, shareholders of these companies are typically closely connected to the business and do not gain additional insights from the strategic report.



If you would like to discuss any of the above comments in further detail, please do feel free to contact me.

Yours faithfully,

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