

Working Paper 2020/02

# The Role of a Directors' Report: An analysis of the legislative requirements of selected Commonwealth countries

<b>Title</b>	<i>Working Paper 2020/02 – The Role of a Directors’ Report: An analysis of the legislative requirements of selected Commonwealth countries</i>
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# 1.0 Purpose

*Working Paper 2020/02 – The Role of a Directors’ Report: An analysis of the legislative requirements of selected Commonwealth countries* reviews and compares the extent directors’ reports are discussed in the legislation of four selected Commonwealth countries: New Zealand, Australia, Canada and the United Kingdom (UK).

This working paper is designed to contribute to the McGuinness Institute’s *Report 17: Building a Reporting Framework Fit for Purpose*.

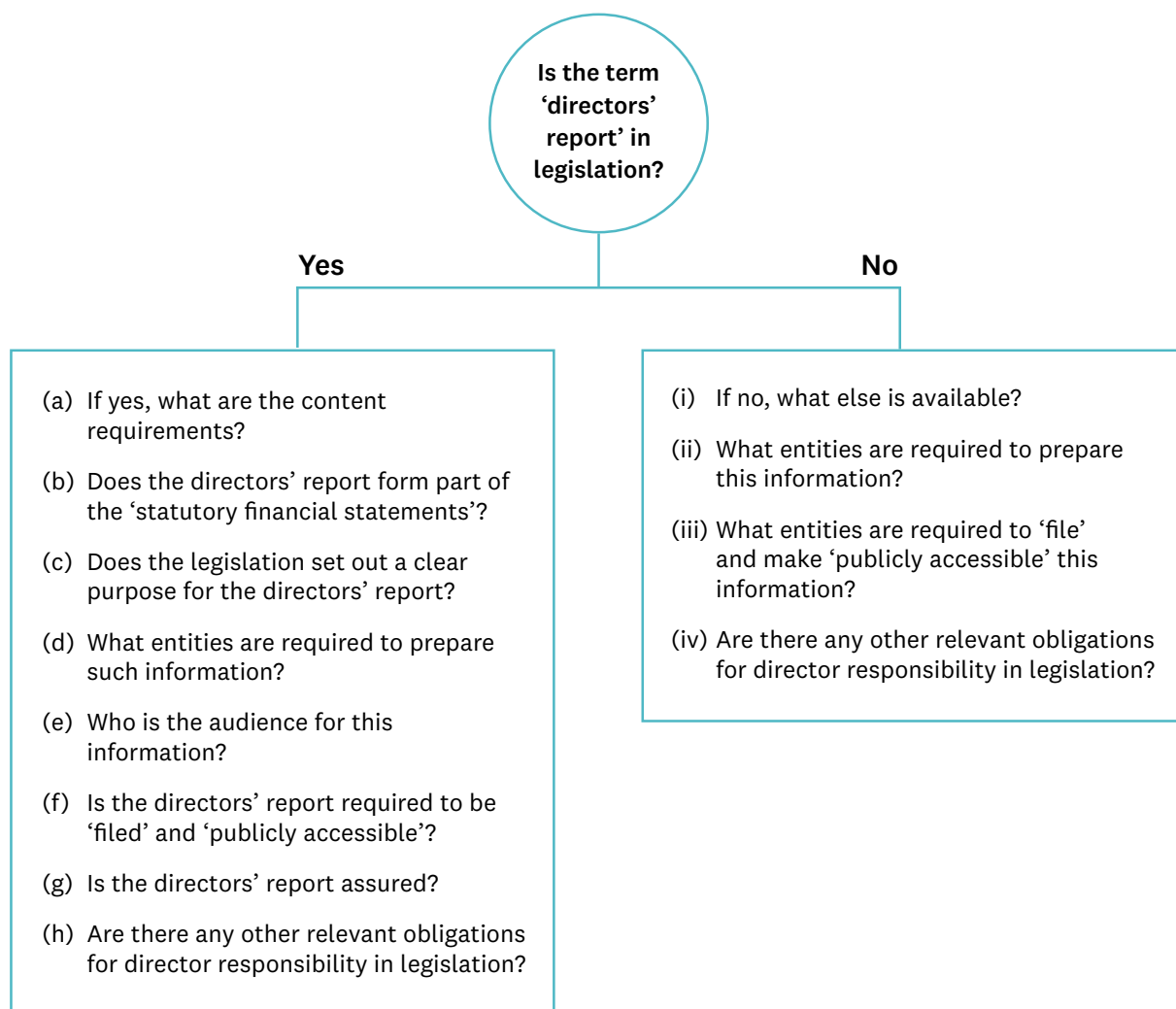
The aim of this working paper is to identify what characteristics these four countries share (commonalities), how they are unique (differences) and whether there are any implications or lessons for New Zealand.

## 2.0 Method

### 2.1 Research questions

The method developed for this working paper was based upon a series of research questions that were applied consistently across the selected Commonwealth countries (see Figure 1 below). To conduct a meaningful legislative comparison between the selected jurisdictions, the method was further refined depending on whether the term ‘directors’ report’ was included within the relevant legislation or not.

Figure 1: Research question development



The application of this method generated consistent and comparable analysis between the selected jurisdictions. Section 2.3 sets out the Institutes’s assumptions and Section 2.4 lists known limitations that exist. Section 3.0 aims to answer each of the research questions and Section 4 sets out the results and our conclusions.

## 2.2 Assumptions

The Institute made the following assumptions while researching this working paper:

1. For the purposes of this report, a directors' report is (i) any external regular report that is required under law to discuss strategic issues and (ii) must be signed by a director or directors.
2. For the purpose of this report, a directors' responsibility statement is not a directors' report. Directors are responsible for the preparation of the financial statements on behalf of the entity. Such a statement is published in annual reports to make clear to readers that the directors consider the financial statements meet all relevant accounting and assurance standards (see the UK example of the Aviva annual report in Appendix 7).
3. Although the annual report and financial statements are different documents, the annual report often requires the financial statements to be included in the annual report (see s 211(1)(b) of the Companies Act 1993 in Appendix 1). However the filing requirements are very different. For example, large overseas companies and large subsidiaries of overseas companies (see s 45 of the Financial Reporting Act 2013 in Appendix 1) are only required to file their financial statements (not annual reports) on the Companies Register under ss 207D and 207E of the Companies Act 1993. In contrast NZX-listed companies who are considered e-reporting entities, are required to make their annual report available online on the company website for a period of five years under cl 61D of the Financial Markets Conduct Regulations 2014 and are also required to file the annual report as part of their *NZX Main Board Announcements* on the NZX website.
4. That there is no difference between a 'directors' report' and a 'chair's report'. Different jurisdictions use different names, but in New Zealand and Australia the chair's report is frequently used.
5. That there is a clear distinction between preparing a report, distributing a report (to a specific group of individuals such as shareholders), filing a report (as a matter of public record) and assuring a report (as a means of providing independent verification to external parties).
6. There is a distinction between an 'annual return' (being a basic return required by the Companies Office) and an 'annual report'. When looking at other jurisdictions, it is important to keep this in mind.

## 2.3 Limitations

There are a number of limitations and parameters of this research:

1. The Institute, to the best of its ability, has included the most relevant legislation found for each selected Commonwealth jurisdiction. It is not a comprehensive search of all possible legislation. Please note that no qualified commercial lawyer was involved in preparing this research paper.
2. The research covers legislative requirements and excludes stock exchange listing requirements, for example, listing rules that require a company to prepare corporate governance information.
3. The Institute only focused on federal legislation; provincial legislation was beyond the scope of this working paper.
  - a. Australia is made up of a number of states and territories. While the Corporations Act 2001 appears to be the primary piece of legislation applicable across all states and territories, the Institute acknowledges that additional disclosure/filing requirements may exist under specific statutes.
  - b. Canada is made up of a number of provinces and territories. Corporations are able to incorporate at a provincial level or a federal level, and as a result adhere to different preparing and filing obligations determined by their place of incorporation. From an initial examination, the provincial legislation is much more detailed in terms of disclosures/filing (particularly given each province appears to have its own corporate legislation and Registrar). The federal legislation (being the Canada Business Corporations Act 1985), requires limited disclosures.
4. Auditing standards are not always publicly, freely available (for example, a fee is required to gain access to the Canadian International Standard of Auditing [ISA] 720, referred to in Canada as the CAS 720, which the Institute did not pay. However, similar to New Zealand, the Canadian International Standard of Auditing [ISA] 720 is based on the International Standard of Auditing [ISA] 720). Footnotes indicate where this affects this research.

## 3.0 Analysis

Sections 3.1 to 3.4 answer the research questions listed in Figure 1. Legislation directly referred to in-text can be found in Appendices 1 to 4.

### 3.1 New Zealand

Research questions	Answers
<b>Is the term ‘directors’ report’ stipulated in legislation?</b>	No, although s 208 of the Companies Act 1993 implies the whole annual report is in fact a directors’ report. See <i>Legal Opinion 2020/01: Obligations on directors to report risk in New Zealand annual reports under the Companies Act 1993</i> .
<b>(i) What is available?</b>	<p>The law has not changed significantly since 1993, making it nearly 30 years old. The directors are required to disclose certain information to shareholders within an annual report. The content is listed in s 211(1)(a)–(k) of the Companies Act 1993. However, the content requirements are very narrow, see Appendix 1. There is no mention of a ‘directors’ report’.</p> <p>There is an obligation to report what ‘the board believes is material for shareholders’ to know, but that obligation is removed if the board believes such a disclosure would be harmful to the business of the company.</p> <p>The relationship between s 208 and s 211 is important; s 208 creates the obligation to report and s 211 states what should be reported.</p> <p><b>211 Contents of annual report</b></p> <p>(1) <i>Every annual report for a company must be in writing and be dated and, subject to subsection (3), must—</i></p> <p>(a) <i>describe, so far as the board believes is material for the shareholders to have an appreciation of the state of the company’s affairs and will not be harmful to the business of the company or of any of its subsidiaries, any change during the accounting period in—</i></p> <p>(i) <i>the nature of the business of the company or any of its subsidiaries; or</i></p> <p>(ii) <i>the classes of business in which the company has an interest, whether as a shareholder of another company or otherwise;</i></p>
<b>(ii) What entities are required to prepare this information?</b>	Selected companies must prepare an annual report (see s 208 (1)) but they have the option to opt-out of disclosing all of the required information under ss 208(4) and 211(3) of the Companies Act 1993.
<b>(iii) What entities are required to ‘file’ and make ‘publicly accessible’ this information?</b>	Annual reports are not required to be filed on the Registrar. However NZX-listed entities must make their annual reports publicly accessible. In this case, the annual report is made available when uploaded onto the announcements section of the NZX website (company announcements are available back to 2010). NZX-listed entities are also required to have their annual report publicly available on the company website for a period of five years under cl 61D of the Financial Markets Conduct Regulations 2014.
<b>(iv) Are there any other relevant obligations for director responsibility in legislation?</b>	No. However, ss 131–138 of the Companies Act 1993 set out the principles/values that a director of a company must uphold.

## 3.2 Australia

Research questions	Answers
<b>Is the term ‘directors’ report’ stipulated in legislation?</b>	Yes, see s 298 of the Corporations Act 2001.
(a) What are the content requirements?	What is contained in the directors’ report is determined by entity type. Section 299 of the Corporations Act 2001 details the general information while ss 300, 300A and 300B provide more specific requirements based on entity type.
(b) Does the directors’ report form part of the ‘statutory financial statements’?	No.
(c) Does the legislation set out a clear purpose for the directors’ report?	Not stated.
(d) What entities are required to prepare such information?	All entities excluding certain ‘small proprietary companies’ are required to prepare an annual directors’ report (see s 292 of the Corporations Act 2001).  Entities that are incorporated outside of Australia are not required to prepare a directors’ report under s 292 of the Corporations Act 2001.
(e) Who is the audience for this information?	Not stated.
(f) Is the directors’ report required to be ‘filed’ and ‘publicly accessible’?	Yes. The annual report includes the directors’ report and this must be lodged with the Australian Security and Investments Commission (ASIC) under s 319 of the Corporations Act 2001.
(g) Is the directors’ report assured?	Part of the auditor’s responsibilities under <i>ASA 720 The Auditor’s Responsibilities Relating to Other Information</i> includes ensuring that information within the directors’ report, found in the annual report, is consistent with the financial report.  Section 307C of the Corporations Act 2001 requires the directors’ report to include an ‘auditor independence declaration’ that declares the that the auditors believe there has been no contravention to the Act and the accounting and auditing standards. The report must also be signed by a director under s 298(2)(c) of the same Act.
(h) Are there any other relevant obligations for director responsibility in legislation?	No. However, ss 180–184 of the Corporations Act 2001 outlines the general obligations/principles that a director must uphold.

## 3.3 Canada

Research questions	Answers
<b>Is the term ‘directors’ report’ stipulated in legislation?</b>	No, but it could be included in provincial legislation. <sup>1</sup>
<b>(i) What is available?</b>	<p>Entities are required to prepare financial statements and diversity statements under ss 155 and 172 of the Canada Business Corporations Act 1985.</p> <p>The content of the financial statements and the diversity statement are included in ss 72 and 72.2(4) of the Canada Business Corporations Regulations 2001.</p> <p>The financial statements are required to be approved by directors under s 158 of the Canada Business Corporations Act 1985.</p>
<b>(ii) What entities are required to prepare this information?</b>	Companies incorporated under the Canada Business Corporations Act 1985.
<b>(iii) What entities are required to ‘file’ and make ‘publicly accessible’ this information?</b>	Distributing corporations <sup>2</sup> with more than one shareholder are required to register their financial statements with Corporations Canada if they have not already ‘filed similar information with any of the provincial or territorial securities commission’ (Corporations Canada, 2015). These documents are available to the public upon request (Corporations Canada, 2015).
<b>(iv) Are there any other relevant obligations for director responsibility in legislation?</b>	No. However, s 122 of the Canadian Business Corporations Act 1985 outlines principles/obligations directors are required to uphold.

1 This research has only looked at federal laws. Corporations in Canada have the option to incorporate provincially or federally (under the Canada Business Corporations Act 1985). Provincial statutes sit outside the scope of this research. It is evident from a brief scope of provincial corporate law that the disclosure requirements are much more in-depth, for example, corporate law in British Columbia requires the corporation to file an annual report on the Registrar (see s 51 of the Business Corporations Act 2002).

2 ‘Distributing Corporation’ typically means a corporation that files documents with a securities commission and sells shares on a stock exchange (see subsection 2 (1) of the CBCA (Canada Business Corporations Act 1985) regulations for a more detailed definition). Distributing corporations must comply with the registration and prospectus filing requirements and other related procedures set out in the CBCA (Canada Business Corporations Act 1985) and, since they are also typically reporting issuers under provincial/territorial securities laws they must also comply with those laws or U.S. securities laws’ (Corporations Canada, 2018).



## 3.4 United Kingdom

Research questions	Answers
<b>Is the term ‘directors’ report’ stipulated in legislation?</b>	Yes, see s 415 of the Companies Act 2006.
(a) What are the content requirements?	What is contained in the directors’ report is determined by the size of the entity. General information required is set out in ss 416 and 418 of the Companies Act 2006. Further content required in the directors’ report is included in Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.
(b) Does the directors’ report form part of the ‘statutory financial statements’?	No.
(c) Does the legislation set out a clear purpose for the directors’ report?	Not stated.
(d) What entities are required to prepare such information?	Section 415(1) of the Companies Act 2006 requires all entities to prepare a directors’ report with varying degrees of requirements, with the exception of micro-entities.
(e) Who is the audience for this information?	Not stated.
(f) Is the directors’ report required to be ‘filed’ and ‘publicly accessible’?	Yes. Accounts are required to be filed to the Companies House (Registrar) under ss 444–447 of the Companies Act 2006. It is optional for a small company to file their directors’ report under s 444A. Unlimited companies are not required to file their accounts under s 448.
(g) Is the directors’ report assured?	Yes. Under s A53-4 of <i>ISA (UK) 720: The auditor’s responsibilities relating to other information (Revised November 2019)</i> . The changes to the standard further embedded UK law and expanded auditor responsibility, particularly in relation to the auditing of the UK Corporate Governance Code (FRC UK, 2019a, pp. 45–46). Changes to ISA (UK) 720 also saw changes to the definitions of what constitutes a ‘misstatement of other information’ (See Appendix 5) (FRC UK, 2019a, p. 48). There are also measures in place under ss 415 and 419 of the Companies Act 2006 to make directors culpable for misleading or incorrect statements.
(h) Are there any other relevant obligations for director responsibility in legislation?	<p>Section 414A of the Companies Act 2006 requires the directors of a company to prepare a strategic report, which forms part of the annual report. All companies are required to prepare a strategic report unless they have a small companies exemption under s 414B.</p> <p>Under s 420, directors of a quoted or traded company are also required to prepare a ‘directors’ remuneration report’.</p> <p>Both of these reports are required to be signed by a director.</p> <p>Sections 171–174 outline the general obligations/principles that a director must uphold.</p>

## 4.0 Key results

This research found that New Zealand has a significant infrastructure gap that needs addressing. Like any public information that is relied upon by third parties, this raises issues about trust, quality, and reliability, and therefore the need for independent assurance over such information.

Our research found that the directors' report is a key instrument in maintaining the checks and balances necessary for a robust and transparent governance system across similar jurisdictions. Appendices 1–4 sets out the evidence.

Appendix 1: New Zealand Regulation, in particular s 208 and s 211 of the Companies Act 1993.

Appendix 2: Australian Regulation, in particular s 298 of the Corporations Act 2001.

Appendix 3: Canadian Regulation, in particular s 122 of the Canada Business Corporations Act 1985.

Appendix 4: United Kingdom Regulation, in particular s 415 of the (UK) Companies Act 2006.

The results are summarised in Sections 4.1 (commonalities) and 4.2 (differences). A brief discussion on the implications for New Zealand is contained in Section 4.3 and suggestions for a way forward is outlined in Section 4.4.

### What we found:

**(i) New Zealand does not use the term 'directors' report' in legislation.**

It is clear that New Zealand is behind at least two other Commonwealth jurisdictions: UK and Australia (and possibly Canada), despite sharing many structural commonalities. A directors' report is becoming a useful mechanism to improve reporting to shareholders and wider stakeholders.

For example, in regard to reporting on emissions, UK quoted companies, large unquoted companies and large limited liability partnerships (LLPs) are required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 to disclose in their directors' report key information on annual emissions and their intensity ratio (in a New Zealand context this requirement would cover publicly listed and selected private unlisted companies). The 2018 Regulations came into force on 1 April 2019. Directors' reports form part of UK companies' filing obligations with the Companies House (DEFRA & BEIS, 2019, p. 35). See also the discussion in the Institutes's *Discussion Paper 2019/01 – The Climate Reporting Emergency* (McGuinness Institute, 2019, pp. 86–88).

**(ii) New Zealand places 'weak' information obligations on directors.**

The ability for directors not to disclose material strategic information to shareholders if they believe it would 'be harmful to the business of the company' should be a concern to shareholders (see s 211 (1)(a) of the Companies Act 1993). Given that it is up to the directors to make this decision, it is hard to see a situation where a shareholder could challenge a company over a lack of strategic information. This also raises questions of how these obligations are reviewed (e.g. by the FMA) and who is working hard to ensure shareholders obtain useful and timely information from directors.

**(iii) New Zealand is slow to adopt the directors' report as an instrument to inform shareholders and wider stakeholders about the strategic operations of a company.**

Internationally, the directors' report compliments the financial statements, and is the major instrument that directors can use to share reliable information about their business model to a wide range of interested parties. In New Zealand, all reporting is to the shareholders only. Part 12 of the Companies Act 1993 (s 208–218) makes it clear (via its heading) that it relates to 'Disclosure by companies' [followed by] 'Disclosure to shareholders'. Therefore the obligation on directors is to only consider shareholders.

This is particularly concerning given that COVID-19 and climate change will significantly impact the viability of many businesses.

## 4.1 Commonalities

1. All countries selected are part of the Commonwealth.
2. All countries selected are major trading partners.
3. All countries have a stock exchange (in New Zealand, the NZX; in Australia, the ASX; in Canada, the TSX; and in the UK, the LSE).
4. All countries follow international accounting and assurance standards (prepared and issued by the International Accounting Standards Board (IASB) and the International Auditing and Assurance Standards Board (IAASB) respectively). The aim is to ensure investors and other primary users provide information that is understandable, comparable and trustworthy.
5. All countries have an External Reporting Board (XRB) (or equivalent) that issues national equivalents to the international reporting and assurance standards. In Australia, the Australian Accounting Standards Board (AASB) and the Australian Auditing and Assurance Standards Board (AUASB); in Canada, the Financial Reporting Standards and Assurance Board (FRAS); and in the UK, the Financial Reporting Council (FRC UK).
6. All countries have a Reserve Bank (or equivalent) to manage financial stability (in Australia, the Reserve Bank of Australia; in Canada, the Bank of Canada; and in the UK, the Bank of England).
7. All countries have a Financial Markets Authority (FMA) (or equivalent) to regulate financial markets. In Australia, there is the Australian Securities and Investment Commission (ASIC); in Canada, the Canadian Securities Administrators (CSA); and in the UK, the Financial Conduct Authority (FCA).
8. All countries have an Institute of Directors (IoD) (or equivalent) to support standards of practice of governance among directors. In Australia, there is the Australian Institute of Company Directors; in Canada, the Institute of Corporate Directors; and in the UK, the Institute of Directors.
9. All countries directly, or indirectly, have expectations that directors need to report to shareholders. However, as illustrated in the UK example in (i) above, the audience of the directors' report in law is beyond that of shareholder. Although UK legislation does not state who the audience of the directors' report is, recent reporting requirements aim to align with the policy goal of reducing emissions.
10. None of the jurisdictions set out a clear purpose for the directors' report or alternative disclosure requirements. However, all four jurisdictions include duties/principles which the directors must uphold within their position, and which must drive the disclosures made within the report.
11. All auditors providing an audit report on the financial statements are required to apply IAS 720 (*International Standard on Auditing (ISA) 720, the Auditor's Responsibilities Relating to Other Information*). This means ensuring that the full content of the annual report is read in conjunction with the financial statements to ensure that there is no conflicting or misleading statements between financial and non-financial information. The New Zealand equivalent notes the following:
  1. This International Standard on Auditing (New Zealand) (ISA (NZ)) deals with the auditor's responsibilities relating to other information, whether financial or non-financial information (other than financial statements and the auditor's report thereon), included in an entity's annual report. An entity's annual report may be a single document or a combination of documents that serve the same purpose.

[...]
12. For purposes of the ISAs (NZ), the following terms have the meanings attributed below:
  - (a) Annual report – A document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements. An annual report contains or accompanies the financial statements and the auditor's report thereon and usually includes information about the entity's developments, its future outlook and risks and uncertainties, a statement by the entity's governing body, and reports covering governance matters. (Ref: Para. A1–A5)
  - (b) Misstatement of the other information – A misstatement of the other information exists when

the other information is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information). (Ref: Para. A6–A7)

### Reading and Considering the Other Information

14. The auditor shall read the other information and, in doing so shall:

(a) Consider whether there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, the auditor shall, to evaluate their consistency, compare selected amounts or other items in the other information (that are intended to be the same as, to summarise, or to provide greater detail about, the amounts or other items in the financial statements) with such amounts or other items in the financial statements; and

(b) Consider whether there is a material inconsistency between the other information and the auditor’s knowledge obtained in the audit, in the context of the audit evidence obtained and conclusions reached in the audit.

15. While reading the other information in accordance with paragraph 14, the auditor shall remain alert for indications that the other information not related to the financial statement or the auditors knowledge obtained in the audit appears to be materially misstated. (XRB, 2015, pp. 6, 7, 8).

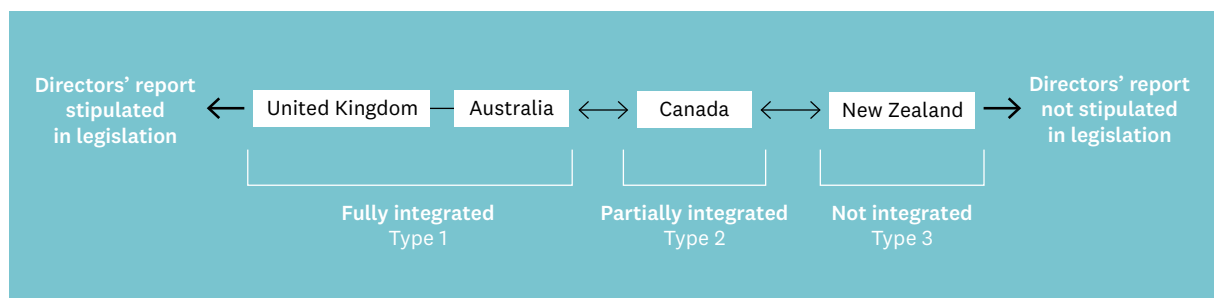
Importantly, the United Kingdom’s FRC has added further text to the standard, the implications of which are discussed further below (see Appendix 5 for more detail on the additional text).

## 4.2 Differences

### 4.2.1 Types of approach

How directors’ reports are discussed in legislation can be illustrated using a continuum. The United Kingdom and Australia have similarities, and have created a directors’ report in law (an additional instrument) and integrated the director’s report with other documents in law. To explain this, the new instrument is integrated into a package of reporting documents. See Figure 2 below.

Figure 2: Continuum of extent directors’ report is referred to in legislation



#### Type 1: Fully integrated

Those countries that have ensured the content of the directors’ report is an integral part of the legal and governance system for the whole country (i.e. UK and Australia). We note that the UK has developed a much more integrated approach than Australia, such as in the use of the Strategic Report (see Section 3) and the additional text in ISA (UK) 720 (as illustrated in Section 3 and Appendix 5).

#### Type 2: Partially integrated

Those countries that have delegated disclosure requirements to the state-level, where some states have ensured the directors’ report is an integral part of the legal and governance system (i.e. Canada).

#### Type 3: Not integrated

Those countries that have not embedded or used the term ‘directors’ report’ in law (i.e. New Zealand).

## 4.2.2 Each type of approach

These different types are discussed in more detail below:

### Characteristics of Type 1: Fully integrated directors' report (i.e. UK and Australia)

1. Entities are required under legislation to prepare a directors' report and greater responsibilities are placed on the company directors in these jurisdictions.
2. Company directors' are required to sign the report. For Australia, see s 298(2)(c) of the Corporations Act 2001 (Appendix 2 of this working paper) and for the UK, see s 419 of the Companies Act 2006 (Appendix 4 of this working paper).
3. Directors' reports are required to be filed as part of the annual report in both the UK and Australia, and in most cases are publicly accessible.
  - a. In the United Kingdom, ss 444–447 of the Companies Act 2006 (See Appendix 4) outlines which reports different types of entities are required to file on the Companies Register. Medium-sized, quoted and unquoted companies are required to file their annual report with the Register while small companies only need to file financial statements and a directors' report. Unlimited companies are not required to file anything if they meet conditions outlined in s 448 of the Companies Act 2006.
  - b. In Australia, s 319 of the Corporation Act 2001 (See Appendix 2) requires 'a company, registered scheme or disclosing entity' to file their 'annual director's report' with ASIC.
4. Directors' reports in Australia and the UK provide a space for strategy, business models and non-financial information. Given their place in legislation, this enables much greater rigor in guidance, as well as assurance for investors and other users.
5. Placing all the content requirements of a directors' report together in legislation provides a good platform to enable users to locate such content requirements easily.
6. The UK legislation requires three reports to be signed off by the director; the directors' report, strategic report and the directors' remuneration report. This places the responsibility on directors for assuring this information in the annual report.
7. The UK has the most comprehensive disclosure requirements. Directors are required to prepare both a directors' report and a strategic report which, together with the financial statements, provide a detailed narrative of the business in both financial and non-financial terms.
8. Additional requirements for listed/quoted entities are included in legislation.
9. The UK has strengthened its revised version of ISA 720 (*International Standard on Auditing (ISA) 720, the Auditor's Responsibilities Relating to Other Information*) by adding additional text (see grey text in Appendix 5). An explanation of when additions to an IAS can be modified is contained in Appendix 6. The reason this additional information is added is as follows:

Para 1-1. This ISA (UK) also deals with certain additional obligations imposed by law or regulation on the auditor to report on statutory other information, based on the work undertaken in the course of the audit.

To summarise:
  - a. The UK's revised ISA 720 specifies and widens the definition an annual report (see Appendix 5).
  - b. The UK's revised ISA 720 makes clear that when taking into account both the size and the nature of the inconsistency or misstatement, both quantitative and qualitative factors should be taken into consideration (it discusses political donations as an example).
10. For the purposes of this report, a Directors' Responsibility Statement is not a directors' report. But it is worth pointing out that both the UK and Australia have two different ways of providing assurance to readers of the annual report as to the boards relationship with the auditors:
  - a. In the United Kingdom, a 'statement as to disclosures to auditors' forms part of the directors' report (see s 418 of the Companies Act 2006 in Appendix 4). However, in this case it is directors (not auditors) that are required to disclose that 'so far as the director[s] [are] aware, there is no relevant audit information of which the company's auditor is unaware' that might be material to the audit. See an example in Appendix 7.

- b. In Australia, an ‘auditor’s declaration’ forms part of the directors’ report (see ss 298 and 307C of the Corporations Act 2001 in Appendix 2). This places the onus on the auditor to state that there have been no contraventions during the auditing process, both in accordance with the Corporations Act, and with the auditing standards that the independent auditor is required to audit against. Interestingly, the director takes responsibility for inserting this statement by signing the directors’ report (within which the copy of the declaration is included). See an example in Appendix 7.

These mechanisms appear to enforce the responsibility of directors and the auditor to avoid any contraventions, and place importance on communications between the two parties in the auditing process. New Zealand has *ISA (NZ) 580 – Written Representations*, but it is not as comprehensive (see recommendations in Section 4.4).<sup>3</sup>

#### Characteristics of Type 2: Partially integrated directors’ report (i.e. Canada)

1. Canada’s federal corporate legislation relies on provincial legislation for more comprehensive disclosure requirements.
2. Partial integration makes it difficult to understand Canada’s corporate reporting system as a whole.
3. Corporate legislation only requires the filing of financial statements with Corporations Canada (Registrar), it does not require an entity to file an annual report.
4. There are numerous registrars in Canada due to them being provincially based. However, the website ‘Canada’s Business Registries’ provides a single platform for users to search companies across all registries (Canada’s Business Registries, n.d.).

#### Characteristics of Type 3: Not integrated/No directors’ report (i.e. New Zealand)

1. The term ‘directors’ report’ is not mentioned in law.
2. Instead the term ‘board’ is used but it is not discussed in terms of a report prepared by the board or a directors’ report *per se*. Section 211(1) of the Companies Act 1993 states:
  - (1) Every annual report for a company must be in writing and be dated and, subject to subsection (3), must—
    - (a) describe, so far as the board believes is material for the shareholders to have an appreciation of the state of the company’s affairs and will not be harmful to the business of the company or of any of its subsidiaries, any change during the accounting period in—
      - (i) the nature of the business of the company or any of its subsidiaries; or
      - (ii) the classes of business in which the company has an interest, whether as a shareholder of another company or otherwise;
3. New Zealand seems unique in that users of the directors’ report in legislation is particularly weak in that it only refers to what the ‘directors believe’ is material for the shareholders.
4. The lack of separation between the Chair on behalf of the Board and the CEO appears to be an emerging and, in our view, worrying phenomenon. The 1992 report *The Financial Aspects of Corporate Governance* (known as the ‘Cadbury Report’), produced by *The Committee on the Financial Aspects of Corporate Governance & Gee and Co. Ltd*, was clear on the need to separate the board from management:

Para 4.9: Given the importance and particular nature of the chairman’s role, it should in principle be separate from that of the chief executive. If the two roles are combined in one person, it represents a considerable concentration of power. We recommend, therefore, that there should be a clearly accepted division of responsibilities at the head of a company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision. Where the chairman is also the chief executive, it is essential that there should be a strong and independent element on the board.

Appendix 8 showcases two examples of directors’ reports from New Zealand. The first, prepared by EBOS, shows a report prepared jointly (signed by both the chair and the CEO). The second, prepared

<sup>3</sup> 11.1 The auditor shall request those charged with governance to provide a written representation that:  
 a. They have provided the auditor with all relevant information and access as agreed in the terms of the audit engagement and  
 b. All transactions have been recorded and are reflected in the financial statements (Ref: Para. A7-A 9, A14, A22).  
 See <https://www.xrb.govt.nz/dmsdocument/3039>.

by Fletcher Building Limited, shows a report just signed by the chair. From a cursory comparison of directors' reports from New Zealand organisations with those of the three jurisdictions selected for this working paper, we believe New Zealand (and possibly Australia) are unique in allowing directors' reports to be prepared jointly by an organisation's chair and CEO. Further analysis is required to confirm the degree that this merging of CEO and Board reporting obligation has become common practice.

5. Annual reports, as a general rule, are not required by legislation to be made public, unlike Australia and the UK (see Section 3). The exception is NZX-listed entities.
6. While NZX-listed entities have additional requirements under the *2020 NZX Listing Rules*, it is voluntary for all other entities who are required to prepare an annual report to disclose any information beyond those required in s 211(1) of the Companies Act 1993 (see Section 3 of this working paper).
7. Filing obligations in New Zealand are limited to large overseas companies or subsidiaries of overseas companies (see ss 207D and 207E of the Companies Act 1993 in Appendix 1). Private New Zealand companies have no obligations to publicly file financial and/or non-financial information. The Institute often refers to these companies as 'opaque' companies.
8. Research for *Working Paper 2018/01 – NZSX-listed Company Tables* found that 43% of the 2017 Deloitte Top 200 companies opted out of providing basic information in their annual report (through s 211(3) of the Companies Act 1993) (McGuinness Institute, 2018, p. 22). This suggests that voluntary reporting of information will not be enough if New Zealand is to take urgent action on corporate reporting.

### 4.3 Implications for New Zealand

New Zealand has a complex and, in many areas, outdated reporting infrastructure.

Our analysis tells us that New Zealand is lagging behind both Australia and the United Kingdom in this area – indicating weaknesses in New Zealand's ability to build a reporting infrastructure that is robust, durable, comparable and flexible for all users of regular external reports.

Incorporating the directors' report into legislation not only places higher reporting responsibilities on directors, but also develops a mechanism for new disclosure requirements, strategies, business models and non-financial information to be incorporated into legislation. If New Zealand was to adopt similar legislative reporting requirements then this would enable much greater rigor in guidance, compliance, assurance and ultimately what information is being reported.

By including directors' report requirements in both Australia's and the UK's legislation, these countries are ensuring that the reporting infrastructure legislation provides a good platform to enable users to locate such content requirements easily.

Both the UK and Australia have placed additional disclosure requirements for listed companies into their corporate law (unlike New Zealand, where listed companies are subjected to greater disclosure requirements under *2020 NZX Listing Rules*, but not in legislation).

Given that higher standards of non-financial reporting is becoming part of the 'norm' through its integration into corporate law in other jurisdictions, New Zealand is risking losing foreign investment to other overseas companies due to a lack of available information about a company's business strategy, sustainability and other ESG information.

New Zealand can be a fast follower by looking to corporate legislation of Australia and the United Kingdom in order to enhance its reporting infrastructure.

New Zealand reporting infrastructure contains a significant information gap. If New Zealand was to adopt similar 'Directors' Report/Strategic Report' disclosure requirements along the lines of the UK; we would better meet the needs of investors and other interested parties. This is likely to deliver better decisions by investors, bankers, insurers and more trust among citizens.

### 4.4 Recommendations

New Zealand can be a fast follower by looking to Australia and the United Kingdom's corporate laws in order to enhance its reporting infrastructure. Based on the above, we make the following recommendations.

1. That a new external reporting instrument - a directors' report - becomes part of our legislative framework and forms part of our annual report preparation and filing requirements.
  - a. That the strategic risks and opportunities faced by selected entities be reported on by directors annually and shared with shareholders and stakeholders. This is particularly the case given COVID-19 and climate change.
  - b. That s 211(1)(a) of the Companies Act 1993 be amended to ensure that the board prepares strategic material information for shareholders and other users irrespective of whether there has been a change during the accounting period (the latter is the existing requirement).
  - c. That the narrow focus on 'shareholders' be removed in the title after Part 12 of the Companies Act 1993 and the focus on shareholders in s 211(1)(a) be removed. There are many other parties that rely on the directors' report such as bankers, insurance providers, suppliers, employees and our current narrow focus is not up with current best practice.
  - d. That the 'annual report' be required to be filed with the Companies Office for all companies currently required to file their financial statements.
  - e. That consideration be given to broadening existing filing requirements for selected private companies by requiring, in addition to the current entities listed in s 207D of the Companies Act 1993, that all 'Tier 1' for-profit entities are required to file an annual report on the Companies Office as a way to improve trust, accountability and transparency.<sup>4</sup>
  - f. That the concessions available under s 211(3) to be removed for the companies outlined in s 207D of the Companies Act 1993 (large overseas companies and large of subsidiaries overseas companies) when preparing the annual report.
  - g. Reports jointly-signed by the chair and the CEO should not be allowed under any circumstances. To allow this is in conflict with international best practice. This view is further supported by the TCFD, which separates (under governance) the board's oversight disclosure from the management's operational disclosure:
    - (a) Describe the board's oversight of climate-related risks and opportunities
    - (b) Describe management's role in assessing and managing climate-related risks and opportunities. (TCFD, 2019, p. 14).
2. That the XRB clarifies and specifies what makes up the 'annual report' in the New Zealand equivalent to *ISA 720 – The auditor's responsibilities relating to other information* (along the lines of the UK equivalent, see Appendix 5).
3. That the XRB considers broadening the New Zealand equivalent to *ISA 720 – The auditor's responsibilities relating to other information* to align with any changes to the legislation that places more clarity over the content of a directors' report (along the lines of the UK equivalent, see Appendix 5).
4. That consideration be given to further strengthen the checks and balances in the relationship between auditors and directors along the lines of the Australian and United Kingdom model. We suggest that the directors' report include a 'statement as to disclosures to auditors', similar to that of the UK (see s 418 of the Companies Act 2006 in Appendix 4), and it should also include an 'auditor's declaration' similar to that of Australia (see ss 298 and 307C of the Corporations Act 2001 in Appendix 2). This would ensure that both the director and the auditor are obliged to access what is material information and are obliged to access their actions to ensure they do not contravene the legislation and assurance and auditing standards.
5. That it is clear who the institution is that is responsible for ensuring that disclosure requirements made under s 211 of the Companies Act 1993 are met and to issue penalties when they are breached. This institution should act as steward for all annual reports and be responsible for actioning complaints made by shareholders and other parties. We believe this role might be within the remit of the FMA but more clarity is needed.
6. That the IoD publishes a guidance document on how to produce a directors' report, such as *A good practice guide for preparing a directors' report*.

<sup>4</sup> 'Has public accountability or is a large for-profit public sector entity with total expenses > \$30million.'  
See [www.xrb.govt.nz/reporting-requirements/accounting-standards-framework](http://www.xrb.govt.nz/reporting-requirements/accounting-standards-framework).



# Appendix 1: New Zealand Regulation

Regulation	Section in Regulation
<b>Companies Act 1993</b>	<b>131 Duty of directors to act in good faith and in best interests of company</b> <p>(1) <i>Subject to this section, a director of a company, when exercising powers or performing duties, must act in good faith and in what the director believes to be the best interests of the company.</i></p> <p>(2) <i>A director of a company that is a wholly-owned subsidiary may, when exercising powers or performing duties as a director, if expressly permitted to do so by the constitution of the company, act in a manner which he or she believes is in the best interests of that company's holding company even though it may not be in the best interests of the company.</i></p> <p>(3) <i>A director of a company that is a subsidiary (but not a wholly-owned subsidiary) may, when exercising powers or performing duties as a director, if expressly permitted to do so by the constitution of the company and with the prior agreement of the shareholders (other than its holding company), act in a manner which he or she believes is in the best interests of that company's holding company even though it may not be in the best interests of the company.</i></p> <p>(4) <i>A director of a company that is carrying out a joint venture between the shareholders may, when exercising powers or performing duties as a director in connection with the carrying out of the joint venture, if expressly permitted to do so by the constitution of the company, act in a manner which he or she believes is in the best interests of a shareholder or shareholders, even though it may not be in the best interests of the company.</i></p> <b>132 Exercise of powers in relation to employees</b> <p>(1) <i>Nothing in section 131 limits the power of a director to make provision for the benefit of employees of the company in connection with the company ceasing to carry on the whole or part of its business.</i></p> <b>133 Powers to be exercised for proper purpose</b> <p><i>A director must exercise a power for a proper purpose.</i></p> <b>134 Directors to comply with Act and constitution</b> <p><i>A director of a company must not act, or agree to the company acting, in a manner that contravenes this Act or the constitution of the company.</i></p> <b>135 Reckless trading</b> <p><i>A director of a company must not—</i></p> <p>(a) <i>agree to the business of the company being carried on in a manner likely to create a substantial risk of serious loss to the company's creditors; or</i></p> <p>(b) <i>cause or allow the business of the company to be carried on in a manner likely to create a substantial risk of serious loss to the company's creditors.</i></p>

## Appendix 1: New Zealand Regulation cont.

Regulation	Section in Regulation
<b>Companies Act 1993 cont.</b>	<p><b>136 Duty in relation to obligations</b></p> <p><i>A director of a company must not agree to the company incurring an obligation unless the director believes at that time on reasonable grounds that the company will be able to perform the obligation when it is required to do so.</i></p> <p><b>137 Director’s duty of care</b></p> <p><i>A director of a company, when exercising powers or performing duties as a director, must exercise the care, diligence, and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation,—</i></p> <ul style="list-style-type: none"><li><i>(a) the nature of the company; and</i></li><li><i>(b) the nature of the decision; and</i></li><li><i>(c) the position of the director and the nature of the responsibilities undertaken by him or her.</i></li></ul> <p><b>138 Use of information and advice</b></p> <p><i>(1) Subject to subsection (2), a director of a company, when exercising powers or performing duties as a director, may rely on reports, statements, and financial data and other information prepared or supplied, and on professional or expert advice given, by any of the following persons:</i></p> <ul style="list-style-type: none"><li><i>(a) an employee of the company whom the director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;</i></li><li><i>(b) a professional adviser or expert in relation to matters which the director believes on reasonable grounds to be within the person’s professional or expert competence;</i></li><li><i>(c) any other director or committee of directors upon which the director did not serve in relation to matters within the director’s or committee’s designated authority.</i></li></ul> <p><b>207D Application of registration provisions</b></p> <p><i>(1) Section 207E applies to each of the following:</i></p> <ul style="list-style-type: none"><li><i>(a) every large overseas company;</i></li><li><i>(b) every large company in which shares that in aggregate carry the right to exercise or control the exercise of 25% or more of the voting power at a meeting of the company are held by—</i><ul style="list-style-type: none"><li><i>(i) a subsidiary of a body corporate incorporated outside New Zealand; or</i></li><li><i>(ii) a body corporate incorporated outside New Zealand; or</i></li><li><i>(iii) a person not ordinarily resident in New Zealand.</i></li></ul></li></ul> <p><i>(2) However, section 207E does not apply to a company or an overseas company (A) if the following requirements are satisfied:</i></p> <ul style="list-style-type: none"><li><i>(a) A is a subsidiary of a body corporate (B) that is—</i></li></ul>

**Companies Act 1993 cont.**

- (i) *incorporated in New Zealand; or*
- (ii) *registered or deemed to be registered under Part 18; and*
- (b) *group financial statements in relation to a group comprising B, A, and all other subsidiaries of B that comply with generally accepted accounting practice are completed and signed within the time specified in section 202; and*
- (c) *a copy of the group financial statements referred to in paragraph (b) and a copy of the auditor's report on those statements are delivered for registration under this Act or for lodgement under another Act.*

**207E Financial statements must be registered**

- (1) *A company or an overseas company to which this section applies must ensure that, within 5 months after the balance date of the company or overseas company, copies of its financial statements or group financial statements completed in relation to that balance date under section 201, 202, or 204 (if any) together with a copy of the auditor's report on those statements (if any) are delivered to the Registrar for registration.*
- (2) *The company or overseas company must, when the financial statements or group financial statements are registered, pay to the Registrar the prescribed registration fee (if any).*
- (3) *Any person may, on payment of the prescribed fee (if any), inspect the copies of the financial statements, group financial statements, and auditor's report on those statements delivered to the Registrar under this section.*

**208 Obligation to prepare annual report**

- (1) *This section applies to—*
  - (a) *every large company (within the meaning of section 198); and*
  - (b) *every company that is a public entity; and*
  - (c) *every company that is required to prepare financial statements or group financial statements under Part 7 of the Financial Markets Conduct Act 2013 or section 55 of the Financial Reporting Act 2013; and*
  - (d) *every company with 10 or more shareholders unless the company has opted out of compliance with this section in accordance with section 207I (in relation to the accounting period referred to in subsection (2)); and*
  - (e) *every company with fewer than 10 shareholders if the company has opted into compliance with this section in accordance with section 207K (in relation to the accounting period referred to in subsection (2)).*

[...]

- (4) *However, the board of a large company (within the meaning of*

**Note:** the meaning of large is defined in s 45 of the Financial Reporting Act 2013 excerpted later in this appendix. It places a greater obligation to prepare an annual report on overseas companies or subsidiaries of overseas companies.

## Appendix 1: New Zealand Regulation cont.

Regulation	Section in Regulation
<b>Companies Act 1993 cont.</b>	<p>section 198) is not required to prepare an annual report on the affairs of the company during an accounting period if—</p> <ul style="list-style-type: none"><li>(a) the company is not required to prepare any financial statements or group financial statements for the accounting period under Part 11, Part 7 of the Financial Markets Conduct Act 2013, or any other enactment; and</li><li>(b) shareholders who together hold at least 95% of the voting shares (within the meaning of section 198) agree that the annual report need not be prepared for the accounting period.</li></ul>
	<b>209 Obligation to make annual report available to shareholders</b>
	<p>(1) The board of a company must send to every shareholder of the company—</p> <ul style="list-style-type: none"><li>(a) a copy of the annual report; or</li><li>(b) a notice containing the statements specified in subsection (3).</li></ul>
	<p>(1AA) The copy of the annual report or the notice referred to in subsection (1)(b) must be sent—</p> <ul style="list-style-type: none"><li>(a) not less than 20 working days before the date fixed for holding the annual meeting of shareholders; or</li><li>(b) if, under section 120(5) or 122(4), it is not necessary to hold an annual meeting, within 20 working days after the date on which the annual report is prepared.</li></ul>
	<p>(1A) Subsection (1) does not apply if the annual report is not required to be prepared under section 208.</p>
	<p>(2) Subsection (1) is subject to section 212.</p>
	<p>(3) The notice referred to in subsection (1)(b) must contain—</p> <ul style="list-style-type: none"><li>(a) a statement to the effect that the shareholder has a right to receive from the company, free of charge, a copy of the annual report if the shareholder, within 15 working days of receiving the notice, makes a request to the company to receive a copy of the annual report; and</li><li>(b) a statement to the effect that the shareholder may obtain a copy of the annual report by electronic means; and</li><li>(c) a statement as to how the shareholder may obtain a copy of the annual report by electronic means (for example, from a specified website address); and</li><li>(d) if the board of the company has prepared, in relation to the same accounting period as the annual report, a concise annual report, a statement—<ul style="list-style-type: none"><li>(iaaa) that the board of the company has prepared, in relation to the same accounting period as the annual report, a concise annual report; and</li><li>(i) to the effect that the shareholder has a right to receive</li></ul></li></ul>

**Companies Act 1993 cont.**

- from the company, free of charge, a copy of the concise annual report if the shareholder, within 15 working days of receiving the notice, makes a request to the company to receive a copy of the concise annual report; and*
- (ii) to the effect that the shareholder may obtain a copy of the concise annual report by electronic means; and*
  - (iii) as to how the shareholder may obtain a copy of the concise annual report by electronic means (for example, from a specified website address).*
- (4) The notice referred to in subsection (1)(b) may be accompanied by any additional information or documentation that the board of the company thinks fit.*
- (5) For the purposes of this section and sections 209A and 209B, every concise annual report for a company must, in relation to an accounting period, include,—*
- (a) in relation to a company that has, on the balance date of the company, no subsidiaries,—*
    - (i) financial statements for the accounting period that comply with generally accepted accounting practice and any auditor's report on those financial statements; or*
    - (ii) summary financial statements for the accounting period that comply with generally accepted accounting practice:*
  - (b) in relation to a company that has, on the balance date of the company, 1 or more subsidiaries,—*
    - (i) group financial statements for the accounting period that comply with generally accepted accounting practice and any auditor's report on those group financial statements; or*
    - (ii) summary financial statements for the accounting period, prepared in relation to the group comprising the company and its subsidiaries, that comply with generally accepted accounting practice.*
- (6) [Repealed]*
- (7) If the board of a company fails to comply with this section, every director of the company commits an offence and is liable on conviction to the penalty set out in section 374(2).*

**211 Contents of annual report**

- (1) Every annual report for a company must be in writing and be dated and, subject to subsection (3), must—*
- (a) describe, so far as the board believes is material for the shareholders to have an appreciation of the state of the company's affairs and will not be harmful to the business of the company or of any of its subsidiaries, any change during the accounting period in—*
    - (i) the nature of the business of the company or any of its subsidiaries; or*

# Appendix 1: New Zealand Regulation cont.

Regulation	Section in Regulation
<b>Companies Act 1993 cont.</b>	<ul style="list-style-type: none"> <li data-bbox="670 313 1404 414">(ii) <i>the classes of business in which the company has an interest, whether as a shareholder of another company or otherwise;</i></li> <li data-bbox="622 436 1404 571">(b) <i>include any financial statements or group financial statements for the accounting period that are required to be prepared under Part 11, Part 7 of the Financial Markets Conduct Act 2013, or any other enactment (if any); and</i></li> <li data-bbox="622 593 1404 750">(c) <i>if an auditor’s report is required under Part 11, Part 7 of the Financial Markets Conduct Act 2013, or any other enactment in relation to the financial statements or group financial statements included in the report, include that auditor’s report; and</i></li> <li data-bbox="622 772 1404 806">(d) <i>[Repealed]</i></li> <li data-bbox="622 828 1404 884">(e) <i>state particulars of entries in the interests register made during the accounting period; and</i></li> <li data-bbox="622 907 1404 1041">(f) <i>state, in respect of each director or former director of the company, the total of the remuneration and the value of other benefits received by that director or former director from the company during the accounting period; and</i></li> <li data-bbox="622 1064 1404 1288">(g) <i>state the number of employees or former employees of the company, not being directors of the company, who, during the accounting period, received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded \$100,000 per annum, and must state the number of such employees or former employees in brackets of \$10,000; and</i></li> <li data-bbox="622 1310 1404 1377">(h) <i>state the total amount of donations made by the company during the accounting period; and</i></li> <li data-bbox="622 1400 1404 1534">(i) <i>state the names of the persons holding office as directors of the company as at the end of the accounting period and the names of any persons who ceased to hold office as directors of the company during the accounting period; and</i></li> <li data-bbox="622 1556 1404 1691">(j) <i>state the amounts payable by the company to the person or firm holding office as auditor of the company as audit fees and, as a separate item, fees payable by the company for other services provided by that person or firm; and</i></li> <li data-bbox="622 1713 1404 1780">(k) <i>be signed on behalf of the board by 2 directors of the company or, if the company has only 1 director, by that director.</i></li> <li data-bbox="574 1803 1404 1892">(2) <i>A company that is required to include group financial statements in its annual report must include, in relation to its subsidiaries, the information specified in paragraphs (e) to (j) of subsection (1).</i></li> <li data-bbox="574 1915 1404 2087">(3) <i>The annual report of a company need not comply with any of paragraphs (a), and (e) to (j) of subsection (1), and subsection (2) if shareholders who together hold at least 95% of the voting shares (within the meaning of section 198) agree that the report need not do so.</i></li> </ul>

Financial Reporting  
Act 2013

## 45 Meaning of large

- (1) For the purposes of an enactment that refers to this section, an entity (other than an overseas company or a subsidiary of an overseas company) is **large** in respect of an accounting period if at least 1 of the following paragraphs applies:
- (a) as at the balance date of each of the 2 preceding accounting periods, the total assets of the entity and its subsidiaries (if any) exceed \$60 million:
  - (b) in each of the 2 preceding accounting periods, the total revenue of the entity and its subsidiaries (if any) exceeds \$30 million.
- (2) For the purposes of an enactment that refers to this section, an overseas company or a subsidiary of an overseas company is large in respect of an accounting period if at least 1 of the following paragraphs applies:
- (a) as at the balance date of each of the 2 preceding accounting periods, the total assets of the entity and its subsidiaries (if any) exceed \$20 million:
  - (b) in each of the 2 preceding accounting periods, the total revenue of the entity and its subsidiaries (if any) exceeds \$10 million.
- (3) Despite subsections (1) and (2), an entity is not large in respect of an accounting period (period A) if—
- (a) the entity was an inactive entity in respect of period A; and
  - (b) the entity, within 5 months after the end of period A, delivers to the Registrar a declaration, in the prescribed form, stating that it was an inactive entity in respect of period A.
- (4) In subsection (3), an entity is an **inactive entity** in respect of an accounting period if,—
- (a) during that period, the entity—
    - (i) has not derived, or been deemed to have derived, any income; and
    - (ii) has no expenses; and
    - (iii) has not disposed of, or been deemed to have disposed of, any assets; and
  - (d) at the end of that period, the entity has no subsidiaries or all of its subsidiaries are inactive entities in respect of that period.
- (5) In determining whether an entity is an inactive entity, no account may be taken of any—
- (a) statutory company filing fees or associated accounting or other costs; or
  - (b) bank charges or other minimal administration costs totalling not more than \$50 in the accounting period; or
  - (c) interest earned on any bank account during the accounting

## Appendix 1: New Zealand Regulation cont.

Regulation	Section in Regulation
<b>Financial Reporting Act 2013 cont.</b>	<p><i>period, to the extent that the total interest does not exceed the total of any charges or costs incurred by the entity to which paragraph (b) applies.</i></p> <p><i>Section 45(3): replaced, on 1 July 2015, by section 10 of the Financial Reporting Amendment Act 2014 (2014 No 64).</i></p>
<b>Financial Markets Conduct Regulations 2014</b>	<p><b>61C What is an e-reporting entity</b></p> <p>(1) <i>An FMC reporting entity is an e-reporting entity for an accounting period if the entity—</i></p> <p>(a) <i>is a company that is required by section 208 of the Companies Act 1993 to prepare an annual report for that period; and</i></p> <p>(b) <i>is an issuer of equity securities that are regulated products.</i></p> <p>(2) <i>Any other FMC reporting entity is an e-reporting entity for an accounting period if the entity—</i></p> <p>(a) <i>is a company that is required by section 208 of the Companies Act 1993 to prepare an annual report for that period; and</i></p> <p>(b) <i>has elected under section 209C(3) of the Companies Act 1993 to comply with regulations 61D to 61F in relation to that annual report.</i></p> <p><b>61D Annual report to be publicly available</b></p> <p>(1) <i>An e-reporting entity for an accounting period must make its annual report for that period available in accordance with this regulation.</i></p> <p>(2) <i>The report must be available, free of charge, on an Internet site maintained by, or on behalf of, the entity in a way that ensures that—</i></p> <p>(a) <i>the report is prominently displayed on the site; and</i></p> <p>(b) <i>members of the public can easily access the report at all reasonable times.</i></p> <p>(3) <i>The report must—</i></p> <p>(a) <i>be made available on the site as soon as practicable after it is prepared, but in any event—</i></p> <p>(i) <i>not less than 20 working days before the date fixed for the entity's annual meeting of shareholders for the accounting period; or</i></p> <p>(ii) <i>if the entity is not required to hold an annual meeting of shareholders for that period, not more than 20 working days after the annual report for the period is prepared; and</i></p> <p>(b) <i>remain available for at least 5 years after it is first made available.</i></p> <p>(4) <i>This regulation applies for the purposes of section 97 of the Act.</i></p>



**Climate Change Response  
(Zero Carbon) Amendment  
Act 2019**

5ZW Minister or Commission may request certain organisations to provide information on climate change adaptation

- (1) *The Minister or the Commission may, in writing, request that a reporting organisation provide all or any of the following information:*
- (a) *a description of the organisation's governance in relation to the risks of, and opportunities arising from, climate change:*
  - (b) *a description of the actual and potential effects of the risks and opportunities on the organisation's business, strategy, and financial planning:*
  - (c) *a description of the processes that the organisation uses to identify, assess, and manage the risks:*
  - (d) *a description of the metrics and targets used to assess and manage the risks and opportunities, including, if relevant, time frames and progress:*
  - (e) *any matters specified in regulations.*

## Appendix 2: Australian Regulation

Regulation	Section in Regulation
<b>Corporations Act 2001</b>	<b>180 Care and diligence—civil obligation only</b> <i>Care and diligence—directors and other officers</i> <p>(1) <i>A director or other officer of a corporation must exercise their powers and discharge their duties with the degree of care and diligence that a reasonable person would exercise if they:</i></p> <ul style="list-style-type: none"><li>(a) <i>were a director or officer of a corporation in the corporation’s circumstances; and</i></li><li>(b) <i>occupied the office held by, and had the same responsibilities within the corporation as, the director or officer.</i></li></ul> <p><i>Business judgment rule</i></p> <p>(2) <i>A director or other officer of a corporation who makes a business judgment is taken to meet the requirements of subsection (1), and their equivalent duties at common law and in equity, in respect of the judgment if they:</i></p> <ul style="list-style-type: none"><li>(a) <i>make the judgment in good faith for a proper purpose; and</i></li><li>(b) <i>do not have a material personal interest in the subject matter of the judgment; and</i></li><li>(c) <i>inform themselves about the subject matter of the judgment to the extent they reasonably believe to be appropriate; and</i></li><li>(d) <i>rationaly believe that the judgment is in the best interests of the corporation.</i></li></ul> <p><i>The director’s or officer’s belief that the judgment is in the best interests of the corporation is a rational one unless the belief is one that no reasonable person in their position would hold.</i></p> <b>181 Good faith—civil obligations</b> <i>Good faith—directors and other officers</i> <p>(1) <i>A director or other officer of a corporation must exercise their powers and discharge their duties:</i></p> <ul style="list-style-type: none"><li>(a) <i>in good faith in the best interests of the corporation; and</i></li><li>(b) <i>for a proper purpose.</i></li></ul> <b>182 Use of position—civil obligations</b> <i>Use of position—directors, other officers and employees</i> <p>(1) <i>A director, secretary, other officer or employee of a corporation must not improperly use their position to:</i></p> <ul style="list-style-type: none"><li>(a) <i>gain an advantage for themselves or someone else; or</i></li><li>(b) <i>cause detriment to the corporation.</i></li></ul> <b>183 Use of information—civil obligations</b> <i>Use of information—directors, other officers and employees</i> <p>(1) <i>A person who obtains information because they are, or have</i></p>

**Corporations Act 2001  
cont.**

*been, a director or other officer or employee of a corporation must not improperly use the information to:*

- (a) gain an advantage for themselves or someone else; or*
- (b) cause detriment to the corporation.*

**184 Good faith, use of position and use of information—criminal offences***Good faith—directors and other officers*

- (1) A director or other officer of a corporation commits an offence if they:*
- (a) are reckless; or*
  - (b) are dishonest; and fail to exercise their powers and discharge their duties:*
  - (c) in good faith in the best interests of the corporation; or*
  - (d) for a proper purpose.*

**Note:** Section 187 deals with the situation of directors of wholly owned subsidiaries.

*Use of position—directors, other officers and employees*

- (2) A director, other officer or employee of a corporation commits an offence if they use their position dishonestly:*
- (a) with the intention of directly or indirectly gaining an advantage for themselves, or someone else, or causing detriment to the corporation; or*
  - (b) recklessly as to whether the use may result in themselves or someone else directly or indirectly gaining an advantage, or in causing detriment to the corporation.*
- (2A) To avoid doubt, it is not a defence in a proceeding for an offence against subsection (2) that the director, other officer or employee of the corporation uses their position dishonestly:*
- (a) with the intention of directly or indirectly gaining an advantage for the corporation; or*
  - (b) with the result that the corporation directly or indirectly gained an advantage.*

*Use of information—directors, other officers and employees*

- (3) A person who obtains information because they are, or have been, a director or other officer or employee of a corporation commits an offence if they use the information dishonestly:*
- (a) with the intention of directly or indirectly gaining an advantage for themselves, or someone else, or causing detriment to the corporation; or*
  - (b) recklessly as to whether the use may result in themselves or someone else directly or indirectly gaining an advantage, or in causing detriment to the corporation.*
- (3A) To avoid doubt, it is not a defence in a proceeding for an offence against subsection (3) that the person uses the information dishonestly:*

## Appendix 2: Australian Regulation cont.

Regulation	Section in Regulation
<b>Corporations Act 2001 cont.</b>	<p>(a) <i>with the intention of directly or indirectly gaining an advantage for the corporation; or</i></p> <p>(b) <i>with the result that the corporation directly or indirectly gained an advantage.</i></p>
<b>Note:</b> This Chapter only applies to disclosing entities incorporated or formed in Australia (see subsection 285(2)).	<b>Section 292 Who has to prepare annual financial reports and directors' reports</b>
	<p>(1) <i>A financial report and a directors' report must be prepared for each financial year by:</i></p> <p>(a) <i>all disclosing entities; and</i></p> <p>(b) <i>all public companies; and</i></p> <p>(c) <i>all large proprietary companies; and</i></p> <p>(d) <i>all registered schemes.</i></p> <p><i>Note: This Chapter only applies to disclosing entities incorporated or formed in Australia (see subsection 285(2)).</i></p> <p><i>Small proprietary companies</i></p> <p>(2) <i>A small proprietary company has to prepare the financial report and directors' report only if:</i></p> <p>(a) <i>it is directed to do so under section 293 or 294; or</i></p> <p>(b) <i>it was controlled by a foreign company for all or part of the year and it is not consolidated for that period in financial statements for that year lodged with ASIC by:</i></p> <p>(i) <i>a registered foreign company; or</i></p> <p>(ii) <i>a company, registered scheme or disclosing entity; or</i></p> <p>(c) <i>it has one or more CSF shareholders at any time during the financial year.</i></p> <p><i>The rest of this Part does not apply to any other small proprietary company.</i></p> <p><i>Small companies limited by guarantee</i></p> <p>(3) <i>Despite subsection (1), a small company limited by guarantee has to prepare the financial report and directors' report only if it is directed to do so under section 294A or 294B. The rest of this Part does not apply to any other small company limited by guarantee.</i></p>
	<b>295 Contents of annual financial report</b>
	<p><i>Basic contents</i></p> <p>(1) <i>The financial report for a financial year consists of:</i></p> <p>(a) <i>the financial statements for the year; and</i></p> <p>(b) <i>the notes to the financial statements; and</i></p> <p>(c) <i>the directors' declaration about the statements and notes.</i></p>

**Corporations Act 2001  
cont.***Financial statements*

- (2) *The financial statements for the year are:*
- (a) *unless paragraph (b) applies—the financial statements in relation to the company, registered scheme or disclosing entity required by the accounting standards; or*
  - (b) *if the accounting standards require the company, registered scheme or disclosing entity to prepare financial statements in relation to a consolidated entity—the financial statements in relation to the consolidated entity required by the accounting standards.*

*Notes to financial statements*

- (3) *The notes to the financial statements are:*
- (a) *disclosures required by the regulations; and*
  - (b) *notes required by the accounting standards; and*
  - (c) *any other information necessary to give a true and fair view (see section 297).*

*Directors' declaration*

- (4) *The directors' declaration is a declaration by the directors:*
- (c) *whether, in the directors' opinion, there are reasonable grounds to believe that the company, registered scheme or disclosing entity will be able to pay its debts as and when they become due and payable; and*
  - (ca) *if the company, registered scheme or disclosing entity has included in the notes to the financial statements, in compliance with the accounting standards, an explicit and unreserved statement of compliance with international financial reporting standards—that this statement has been included in the notes to the financial statements; and*
  - (d) *whether, in the directors' opinion, the financial statement and notes are in accordance with this Act, including:*
    - (i) *section 296 (compliance with accounting standards); and*
    - (ii) *section 297 (true and fair view); and*
  - (e) *if the company, disclosing entity or registered scheme is listed—that the directors have been given the declarations required by section 295A.*

*Note: See paragraph 285(3)(c) for the reference to the debts of a registered scheme.*

- (5) *The declaration must:*
- (a) *be made in accordance with a resolution of the directors; and*
  - (b) *specify the date on which the declaration is made; and*
  - (c) *be signed by a director.*

**298 Annual directors' report**

- (1) *The company, registered scheme or disclosing entity must prepare*

## Appendix 2: Australian Regulation cont.

Regulation	Section in Regulation
<b>Corporations Act 2001 cont.</b>	<p><i>a directors' report for each financial year.</i></p> <p>(1AA) <i>Except in the case of a company limited by guarantee or a company covered under subsection (1AC), the report must include:</i></p> <ul style="list-style-type: none"><li>(a) <i>the general information required by sections 299 (all entities) and 299A (additional requirements for listed entities); and</i></li><li>(b) <i>the specific information required by sections 300 and 300A; and</i></li><li>(c) <i>a copy of the auditor's declaration under section 307C in relation to the audit for the financial year.</i></li></ul> <p>(1AB) <i>In the case of a company limited by guarantee, the report must include:</i></p> <ul style="list-style-type: none"><li>(a) <i>the general information required by section 300B; and</i></li><li>(b) <i>a copy of the auditor's declaration under section 307C in relation to the audit or review for the financial year.</i></li></ul> <p>(1AC) <i>This subsection covers a company if the company has not had its financial report for the relevant financial year audited because subsection 301(2) or (5) exempts it from the requirement to do so under subsection 301(1).</i></p> <p>(1AD) <i>In the case of a company covered under subsection (1AC), the report must include:</i></p> <ul style="list-style-type: none"><li>(a) <i>the general information required by section 299; and</i></li><li>(b) <i>the specific information required by section 300.</i></li></ul> <p>(1A) <i>If the financial report for a financial year includes additional information under paragraph 295(3)(c) (information included to give true and fair view of financial position and performance), the directors' report for the financial year must also:</i></p> <ul style="list-style-type: none"><li>(a) <i>set out the directors' reasons for forming the opinion that the inclusion of that additional information was necessary to give the true and fair view required by section 297; and</i></li><li>(b) <i>specify where that additional information can be found in the financial report.</i></li></ul> <p>(2) <i>The report must:</i></p> <ul style="list-style-type: none"><li>(a) <i>be made in accordance with a resolution of the directors; and</i></li><li>(b) <i>specify the date on which the report is made; and</i></li><li>(c) <i>be signed by a director.</i></li></ul> <p><i>Small proprietary companies</i></p> <p>(3) <i>A small proprietary company does not have to comply with subsection (1) for a financial year if:</i></p> <ul style="list-style-type: none"><li>(a) <i>it is preparing financial statements for that year in response to a shareholder direction under section 293; and</i></li><li>(b) <i>the direction specified that a directors' report need not be</i></li></ul>

**Corporations Act 2001  
cont.**

*prepared; and*

- (c) *paragraph 292(2)(c) (about having CSF shareholders) does not apply to the company for the financial year.*

*Small companies limited by guarantee*

- (4) *A small company limited by guarantee does not have to comply with subsection (1) for a financial year if:*

- (a) *it is preparing the financial statements for that year in response to a member direction under section 294A; and*  
(b) *the direction specified that a directors' report need not be prepared.*

**299 Annual directors' report—general information**

*General information about operations and activities*

- (1) *The directors' report for a financial year must:*

- (a) *contain a review of operations during the year of the entity reported on and the results of those operations; and*  
(b) *give details of any significant changes in the entity's state of affairs during the year; and*  
(c) *state the entity's principal activities during the year and any significant changes in the nature of those activities during the year; and*  
(d) *give details of any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect:*  
(i) *the entity's operations in future financial years; or*  
(ii) *the results of those operations in future financial years; or*  
(iii) *the entity's state of affairs in future financial years; and*  
(e) *refer to likely developments in the entity's operations in future financial years and the expected results of those operations; and*  
(f) *if the entity's operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory—give details of the entity's performance in relation to environmental regulation.*

- (2) *The entity reported on is:*

- (a) *the company, registered scheme or disclosing entity (if consolidated financial statements are not required); or*  
(b) *the consolidated entity (if consolidated financial statements are required).*

*Prejudicial information need not be disclosed*

- (3) *The report may omit material that would otherwise be included under paragraph (1)(e) if it is likely to result in unreasonable prejudice to:*  
(a) *the company, registered scheme or disclosing entity; or*

## Appendix 2: Australian Regulation cont.

Regulation	Section in Regulation
<b>Corporations Act 2001 cont.</b>	<p>(b) <i>if consolidated financial statements are required—the consolidated entity or any entity (including the company, registered scheme or disclosing entity) that is part of the consolidated entity.</i></p> <p><i>If material is omitted, the report must say so.</i></p> <p><b>299A Annual directors’ report—additional general requirements for listed entities</b></p> <p>(1) <i>The directors’ report for a financial year for a company, registered scheme or disclosing entity that is listed must also contain information that members of the listed entity would reasonably require to make an informed assessment of:</i></p> <p>(a) <i>the operations of the entity reported on; and</i></p> <p>(b) <i>the financial position of the entity reported on; and</i></p> <p>(c) <i>the business strategies, and prospects for future financial years, of the entity reported on.</i></p> <p>(2) <i>The entity reported on is:</i></p> <p>(a) <i>the company, registered scheme or disclosing entity that is listed (if consolidated financial statements are not required); or</i></p> <p>(b) <i>the consolidated entity (if consolidated financial statements are required).</i></p> <p>(3) <i>The report may omit material that would otherwise be included under paragraph (1)(c) if it is likely to result in unreasonable prejudice to:</i></p> <p>(a) <i>the company, registered scheme or disclosing entity; or</i></p> <p>(b) <i>if consolidated financial statements are required—the consolidated entity or any entity (including the company, registered scheme or disclosing entity) that is part of the consolidated entity.</i></p> <p><i>If material is omitted, the report must say so.</i></p> <p><b>300 Annual directors’ report—specific information</b></p> <p>(1) <i>The directors’ report for a financial year must include details of:</i></p> <p>(a) <i>dividends or distributions paid to members during the year; and</i></p> <p>(b) <i>dividends or distributions recommended or declared for payment to members, but not paid, during the year; and</i></p> <p>(c) <i>the name of each person who has been a director of the company, registered scheme or disclosing entity at any time during or since the end of the year and the period for which they were a director; and</i></p> <p>(ca) <i>the name of each person who:</i></p> <p>(i) <i>is an officer of the company, registered scheme or</i></p>



**Corporations Act 2001  
cont.**

- disclosing entity at any time during the year; and*
- (ii) was a partner in an audit firm, or a director of an audit company, that is an auditor of the company, disclosing entity or registered scheme for the year; and*
  - (iii) was such a partner or director at a time when the audit firm or the audit company undertook an audit of the company, disclosing entity or registered scheme; and*
- (d) options that are:*
- (i) granted over unissued shares or unissued interests during or since the end of the year; and*
  - (ii) granted to any of the directors or any of the 5 most highly remunerated officers of the company (other than the directors); and*
  - (iii) granted to them as part of their remuneration; (see subsections (3), (4) and (5)); and*
- (e) unissued shares or interests under option as at the day the report is made (see subsections (3) and (6)); and*
- (f) shares or interests issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests (see subsections (3) and (7)); and*
- (g) indemnities given and insurance premiums paid during or since the end of the year for a person who is or has been an officer or auditor (see subsections (8) and (9)).*

*Public companies, listed companies and registered schemes must include additional information under subsections (10), (11), (11AA), (11A), (11B), (12) and (13) of this section and section 300A.*

- (2) Details do not have to be included in the directors' report under this section if they are included in the company's financial report for the financial year.*
- (2A) If subsection (2) is relied on to not include in the directors' report for a financial year details that would otherwise be required to be included in that report under paragraph (11B)(a) or (11C)(b), that report must specify, in the section headed "Non audit services", where those details may be found in the company's financial report for that financial year.*
- (3) Paragraphs (1)(d), (e) and (f) cover:*
- (a) options over unissued shares and interests of the company, registered scheme or disclosing entity; and*
  - (b) if consolidated financial statements are required—options over unissued shares and interests of any controlled entity that is a company, registered scheme or disclosing entity.*

**Options details**

- (5) The details of an option granted are:*
- (a) the company, registered scheme or disclosing entity granting the option; and*
  - (b) the name of the person to whom the option is granted; and*

## Appendix 2: Australian Regulation cont.

Regulation	Section in Regulation
<b>Corporations Act 2001 cont.</b>	<p>(c) <i>the number and class of shares or interests over which the option is granted.</i></p> <p>(6) <i>The details of unissued shares or interests under option are:</i></p> <ul style="list-style-type: none"><li>(a) <i>the company, registered scheme or disclosing entity that will issue shares or interests when the options are exercised; and</i></li><li>(b) <i>the number and classes of those shares or interests; and</i></li><li>(c) <i>the issue price, or the method of determining the issue price, of those shares or interests; and</i></li><li>(d) <i>the expiry date of the options; and</i></li><li>(e) <i>any rights that option holders have under the options to participate in any share issue or interest issue of the company, registered scheme or disclosing entity or of any other body corporate or registered scheme.</i></li></ul> <p><i>Shares or interests issued as a result of exercise of option</i></p> <p>(7) <i>The details of shares or interests issued as a result of the exercise of an option are:</i></p> <ul style="list-style-type: none"><li>(a) <i>the company, registered scheme or disclosing entity issuing the shares or interests; and</i></li><li>(b) <i>the number of shares or interests issued; and</i></li><li>(c) <i>if the company, registered scheme or disclosing entity has different classes of shares or interests—the class to which each of those shares or interests belongs; and</i></li><li>(d) <i>the amount unpaid on each of those shares or interests; and</i></li><li>(e) <i>the amount paid, or agreed to be considered as paid, on each of those shares or interests.</i></li></ul> <p><i>Indemnities and insurance premiums for officers or auditors</i></p> <p>(8) <i>The report for a company must include details of:</i></p> <ul style="list-style-type: none"><li>(a) <i>any indemnity that is given to a current or former officer or auditor against a liability and that is covered by subsection 199A(2) or (3), or any relevant agreement under which an officer or auditor may be given an indemnity of that kind; and</i></li><li>(b) <i>any premium that is paid, or agreed to be paid, for insurance against a current or former officer's or auditor's liability for legal costs.</i></li></ul> <p><i>Note: Sections 199A and 199B contain general prohibitions against giving certain indemnities and paying certain insurance premiums. This subsection requires transactions that are exceptions to these prohibitions to be reported.</i></p> <p>(9) <i>The details required under subsection (8) are:</i></p> <ul style="list-style-type: none"><li>(a) <i>for an officer—their name or the class of officer to which they belong or belonged; and</i></li><li>(b) <i>for an auditor—their name; and</i></li></ul>

**Corporations Act 2001  
cont.**

- (c) *the nature of the liability; and*
- (d) *for an indemnity given—the amount the company paid and any other action the company took to indemnify the officer or auditor; and*
- (e) *for an agreement to indemnify—the amount that the relevant agreement requires the company to pay and any other action the relevant agreement requires the company to take to indemnify the officer or auditor; and*
- (f) *for an insurance premium—the amount of the premium.*

*The report need not give details of the nature of the liability covered by, or the amount of the premium payable under, a contract of insurance to the extent that disclosure of those details is prohibited by the insurance contract.*

*Special rules for public companies*

- (10) *The report for a public company that is not a wholly owned subsidiary of another company must also include details of:*
  - (a) *each director’s qualifications, experience and special responsibilities; and*
  - (b) *the number of meetings of the board of directors held during the year and each director’s attendance at those meetings; and*
  - (c) *the number of meetings of each board committee held during the year and each director’s attendance at those meetings; and*
  - (d) *the qualifications and experience of each person who is a company secretary of the company as at the end of the year.*

*Special rules for listed companies and schemes*

- (11) *The report for a listed company must also include the following details for each director:*
  - (a) *their relevant interests in shares of the company or a related body corporate;*
  - (b) *their relevant interests in debentures of, or interests in a registered scheme made available by, the company or a related body corporate;*
  - (c) *their rights or options over shares in, debentures of or interests in a registered scheme made available by, the company or a related body corporate;*
  - (d) *contracts:*
    - (i) *to which the director is a party or under which the director is entitled to a benefit; and*
    - (ii) *that confer a right to call for or deliver shares in, or debentures of or interests in a registered scheme made available by the company or a related body corporate;*
  - (e) *all directorships of other listed companies held by the director at any time in the 3 years immediately before the end of the*

## Appendix 2: Australian Regulation cont.

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### Regulation

### Section in Regulation

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#### Corporations Act 2001 cont.

*financial year and the period for which each directorship has been held.*

*Note: Directors must also disclose interests of these kinds to a relevant market operator under s 205G as they are acquired.*

*(11AA) If an individual plays a significant role in the audit of a listed company or listed registered scheme for the financial year in reliance on an approval granted under section 324DAA, the report for the company or scheme must also include details of, and reasons for, the approval.*

*(11A) If a registered company auditor plays a significant role in the audit of a listed company for the financial year in reliance on a declaration made under section 342A, the report for the company must also include details of the declaration.*

*Listed companies—non audit services and auditor independence*

*(11B) The report for a listed company must also include the following in relation to each auditor:*

- (a) details of the amounts paid or payable to the auditor for non audit services provided, during the year, by the auditor (or by another person or firm on the auditor's behalf);*
- (b) a statement whether the directors are satisfied that the provision of non audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by this Act;*
- (c) a statement of the directors' reasons for being satisfied that the provision of those non audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) did not compromise the auditor independence requirements of this Act.*

*These details and statements must be included in the directors' report under the heading "Non audit services". If consolidated financial statements are required, the details and statements must relate to amounts paid or payable to the auditor by, and non audit services provided to, any entity (including the company, registered scheme or disclosing entity) that is part of the consolidated entity.*

*(11C) For the purposes of paragraph (11B)(a), the details of amounts paid or payable to an auditor for non audit services provided, during the year, by the auditor (or by another person or firm on the auditor's behalf) are:*

- (a) the name of the auditor; and*
- (b) the dollar amount that:*
  - (i) the listed company; or*
  - (ii) if consolidated financial statements are required—any entity that is part of the consolidated entity; paid, or is liable to pay, for each of those non audit services.*

**Corporations Act 2001  
cont.**

- (11D) *The statements under paragraphs (11B)(b) and (c) must be made in accordance with:*
- (a) *advice provided by the listed company's audit committee if the company has an audit committee; or*
  - (b) *a resolution of the directors of the listed company if paragraph (a) does not apply.*
- (11E) *For the purposes of subsection (11D), a statement is taken to be made in accordance with advice provided by the company's audit committee only if:*
- (a) *the statement is consistent with that advice and does not contain any material omission of material included in that advice; and*
  - (b) *the advice is endorsed by a resolution passed by the members of the audit committee; and*
  - (c) *the advice is written advice signed by a member of the audit committee on behalf of the audit committee and given to the directors.*

*Special rules for listed registered schemes*

- (12) *The report for a registered scheme whose interests are quoted on a prescribed financial market must also include the following details for each director of the company that is the responsible entity for the scheme:*
- (a) *their relevant interests in interests in the scheme;*
  - (b) *their rights or options over interests in the scheme;*
  - (c) *contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver interests in the scheme.*

*Special rules for registered schemes*

- (13) *The report for a registered scheme must also include details of:*
- (a) *the fees paid to the responsible entity and its associates out of scheme property during the financial year; and*
  - (b) *the number of interests in the scheme held by the responsible entity or its associates as at the end of the financial year; and*
  - (c) *interests in the scheme issued during the financial year; and*
  - (d) *withdrawals from the scheme during the financial year; and*
  - (e) *the value of the scheme's assets as at the end of the financial year, and the basis for the valuation; and*
  - (f) *the number of interests in the scheme as at the end of the financial year.*

*Proceedings on behalf of a company*

- (14) *The report for a company must also include the following details of any application for leave under section 237 made in respect of the company:*
- (a) *the applicant's name; and*

## Appendix 2: Australian Regulation cont.

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### Regulation

### Section in Regulation

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#### Corporations Act 2001 cont.

(b) a statement whether leave was granted.

(15) The report for a company must also include the following details of any proceedings that a person has brought or intervened in on behalf of the company with leave under section 237:

(a) the person's name;

(b) the names of the parties to the proceedings;

(c) sufficient information to enable members to understand the nature and status of the proceedings (including the cause of action and any orders made by the court).

#### 300A Annual directors' report—specific information to be provided by listed companies

(1) The directors' report for a financial year for a company must also include (in a separate and clearly identified section of the report):

(a) discussion of board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of the key management personnel for:

(i) the company, if consolidated financial statements are not required; or

(ii) the consolidated entity, if consolidated financial statements are required; and

(b) discussion of the relationship between such policy and the company's performance; and

(ba) if an element of the remuneration of a member of the key management personnel for the company, or if consolidated financial statements are required, for the consolidated entity is dependent on the satisfaction of a performance condition:

(i) a detailed summary of the performance condition; and

(ii) an explanation of why the performance condition was chosen; and

(iii) a summary of the methods used in assessing whether the performance condition is satisfied and an explanation of why those methods were chosen; and

(iv) if the performance condition involves a comparison with factors external to the company:

(A) a summary of the factors to be used in making the comparison; and

(B) if any of the factors relates to the performance of another company, of 2 or more other companies or of an index in which the securities of a company or companies are included—the identity of that company, of each of those companies or of the index; and

(c) the prescribed details in relation to the remuneration of:

(i) if consolidated financial statements are required—each

**Corporations Act 2001  
cont.**

- member of the key management personnel for the consolidated entity; or*
- (ii) *if consolidated financial statements are not required—each member of the key management personnel for the company; and*
- (d) *if an element of the remuneration of a person referred to in paragraph (c) consists of securities of a body and that element is not dependent on the satisfaction of a performance condition—an explanation of why that element of the remuneration is not dependent on the satisfaction of a performance condition; and*
- (e) *for each person referred to in paragraph (c):*
- (i) *an explanation of the relative proportions of those elements of the person's remuneration that are related to performance and those elements of the person's remuneration that are not; and*
- (ii) *the value (worked out as at the time they are granted and in accordance with any applicable accounting standards) of options that are granted to the person during the year as part of their remuneration; and*
- (iii) *the value (worked out as at the time they are exercised) of options that were granted to the person as part of their remuneration and that are exercised by the person during the year; and*
- (iv) *if options granted to the person as part of their remuneration lapse during the financial year—the number of those options, and the financial year in which those options were granted; and*
- (v) *if the person is employed by the company under a contract—the duration of the contract, the periods of notice required to terminate the contract and the termination payments provided for under the contract; and*
- (f) *such other matters related to the policy or policies referred to in paragraph (a) as are prescribed by the regulations; and*
- (g) *if:*
- (i) *at the company's most recent AGM, comments were made on the remuneration report that was considered at that AGM; and*
- (ii) *when a resolution that the remuneration report for the last financial year be adopted was put to the vote at the company's most recent AGM, at least 25% of the votes cast were against adoption of that report; an explanation of the board's proposed action in response or, if the board does not propose any action, the board's reasons for inaction; and*
- (h) *if a remuneration consultant made a remuneration recommendation in relation to any of the key management personnel for the company or, if consolidated financial*

## Appendix 2: Australian Regulation cont.

Regulation	Section in Regulation
<b>Corporations Act 2001</b> <b>cont.</b>	<p>statements are required, for the consolidated entity, for the financial year:</p> <ul style="list-style-type: none"><li>(i) the name of the consultant; and</li><li>(ii) a statement that the consultant made such a recommendation; and</li><li>(iii) if the consultant provided any other kind of advice to the company or entity for the financial year—a statement that the consultant provided that other kind or those other kinds of advice; and</li><li>(iv) the amount and nature of the consideration payable for the remuneration recommendation; and</li><li>(v) the amount and nature of the consideration payable for any other kind of advice referred to in subparagraph (iii); and</li><li>(vi) information about the arrangements the company made to ensure that the making of the remuneration recommendation would be free from undue influence by the member or members of the key management personnel to whom the recommendation relates; and</li><li>(vii) a statement about whether the board is satisfied that the remuneration recommendation was made free from undue influence by the member or members of the key management personnel to whom the recommendation relates; and</li><li>(viii) if the board is satisfied that the remuneration recommendation was made free from undue influence by the member or members of the key management personnel to whom the recommendation relates—the board’s reasons for being satisfied of this.</li></ul> <p>(1AA) Without limiting paragraph (1)(b), the discussion under that paragraph of the company’s performance must specifically deal with:</p> <ul style="list-style-type: none"><li>(a) the company’s earnings; and</li><li>(b) the consequences of the company’s performance on shareholder wealth; in the financial year to which the report relates and in the previous 4 financial years.</li></ul> <p>(1AB) In determining, for the purposes of subsection (1AA), the consequences of the company’s performance on shareholder wealth in a financial year, have regard to:</p> <ul style="list-style-type: none"><li>(a) dividends paid by the company to its shareholders during that year; and</li><li>(b) changes in the price at which shares in the company are traded between the beginning and the end of that year; and</li><li>(c) any return of capital by the company to its shareholders during that year that involves:</li></ul>



**Corporations Act 2001  
cont.**

- (i) *the cancellation of shares in the company; and*
  - (ii) *a payment to the holders of those shares that exceeds the price at which shares in that class are being traded at the time when the shares are cancelled; and*
- (d) *any other relevant matter.*
- (1A) *The material referred to in subsection (1) must be included in the directors' report under the heading "Remuneration report".*
- (1C) *Without limiting paragraph (1)(c), the regulations may:*
  - (a) *provide that the value of an element of remuneration is to be determined, for the purposes of this section, in a particular way or by reference to a particular standard; and*
  - (b) *provide that details to be given of an element of remuneration must relate to the remuneration provided in:*
    - (i) *the financial year to which the directors' report relates; and*
    - (ii) *the earlier financial years specified in the regulations.*
- (2) *This section applies to any listed disclosing entity that is a company.*
- (3) *This section applies despite anything in the company's constitution.*
- (4) *For the purposes of this section, if:*
  - (a) *consolidated financial statements are required; and*
  - (b) *a person is a group executive who is a group executive of 2 or more entities within the consolidated entity; the person's remuneration is taken to include all of the person's remuneration from those entities (regardless of the capacity in which the person received the remuneration).*

**300B Annual directors' report—companies limited by guarantee**

- (1) *The directors' report for a financial year for a company limited by guarantee must:*
  - (a) *contain a description of the short and long term objectives of the entity reported on; and*
  - (b) *set out the entity's strategy for achieving those objectives; and*
  - (c) *state the entity's principal activities during the year; and*
  - (d) *state how those activities assisted in achieving the entity's objectives; and*
  - (e) *state how the entity measures its performance, including any key performance indicators used by the entity.*
- (2) *The entity reported on is:*
  - (a) *the company (if consolidated financial statements are not required); or*
  - (b) *the consolidated entity (if consolidated financial statements are required).*

## Appendix 2: Australian Regulation cont.

Regulation	Section in Regulation
<b>Corporations Act 2001 cont.</b>	<p>(3) <i>The directors' report for a financial year for a company limited by guarantee must also include details of:</i></p> <ul style="list-style-type: none"><li>(a) <i>the name of each person who has been a director of the company at any time during or since the end of the year and the period for which the person was a director; and</i></li><li>(b) <i>each director's qualifications, experience and special responsibilities; and</i></li><li>(c) <i>the number of meetings of the board of directors held during the year and each director's attendance at those meetings; and</i></li><li>(d) <i>for each class of membership in the company—the amount which a member of that class is liable to contribute if the company is wound up; and</i></li><li>(e) <i>the total amount that members of the company are liable to contribute if the company is wound up.</i></li></ul>
	<b>307C Auditor's independence declaration</b>
	<b>Contravention by individual auditor</b>
	<p>(1) <i>If an individual auditor conducts:</i></p> <ul style="list-style-type: none"><li>(a) <i>an audit or review of the financial report for a financial year; or</i></li><li>(b) <i>an audit or review of the financial report for a half-year; the individual auditor must give the directors of the company, registered scheme or disclosing entity:</i></li><li>(c) <i>a written declaration that, to the best of the individual auditor's knowledge and belief, there have been:</i><ul style="list-style-type: none"><li>(i) <i>no contraventions of the auditor independence requirements of this Act in relation to the audit or review; and</i></li><li>(ii) <i>no contraventions of any applicable code of professional conduct in relation to the audit or review; or</i></li></ul></li><li>(d) <i>a written declaration that, to the best of the individual auditor's knowledge and belief, the only contraventions of:</i><ul style="list-style-type: none"><li>(i) <i>the auditor independence requirements of this Act in relation to the audit or review; or</i></li><li>(ii) <i>any applicable code of professional conduct in relation to the audit or review; are those contraventions details of which are set out in the declaration.</i></li></ul></li></ul>
	<p>(2) <i>An offence based on subsection (1) is an offence of strict liability. Note: For strict liability see section 6.1 of the Criminal Code.</i></p>
	<b>Contravention by lead auditor</b>
	<p>(3) <i>If an audit firm or audit company conducts:</i></p> <ul style="list-style-type: none"><li>(a) <i>an audit or review of the financial report for a financial year; or</i></li><li>(b) <i>an audit or review of the financial report for a half-year;</i></li></ul>

**Corporations Act 2001  
cont.**

- the lead auditor for the audit must give the directors of the company, registered scheme or disclosing entity:*
- (c) *a written declaration that, to the best of the lead auditor's knowledge and belief, there have been:*
    - (i) *no contraventions of the auditor independence requirements of this Act in relation to the audit or review; and*
    - (ii) *no contraventions of any applicable code of professional conduct in relation to the audit or review; or*
  - (d) *a written declaration that, to the best of the lead auditor's knowledge and belief, the only contraventions of:*
    - (i) *the auditor independence requirements of this Act in relation to the audit or review; or*
    - (ii) *any applicable code of professional conduct in relation to the audit or review;*  
*are those contraventions details of which are set out in the declaration.*
- (4) *An offence based on subsection (3) is an offence of strict liability. Note: For strict liability see section 6.1 of the Criminal Code .*
- (5) *The declaration under subsection (1) or (3):*
- (a) *either:*
    - (i) *must be given when the audit report is given to the directors of the company, registered scheme or disclosing entity; or*
    - (ii) *must satisfy the conditions in subsection (5A); and*
  - (b) *must be signed by the person making the declaration.*
- (5A) *A declaration under subsection (1) or (3) in relation to a financial report for a financial year or half-year satisfies the conditions in this subsection if:*
- (a) *the declaration is given to the directors of the company, registered scheme or disclosing entity before the directors pass a resolution under subsection 298(2) or 306(3) (as the case requires) in relation to the directors' report for the financial year or half-year; and*
  - (b) *a director signs the directors' report within 7 days after the declaration is given to the directors; and*
  - (c) *the auditor's report on the financial report is made within 7 days after the directors' report is signed; and*
  - (d) *the auditor's report includes either of the following statements:*
    - (i) *a statement to the effect that the declaration would be in the same terms if it had been given to the directors at the time the auditor's report was made;*
    - (ii) *a statement to the effect that circumstances have changed since the declaration was given to the directors, and setting out how the declaration would differ if it had*

## Appendix 2: Australian Regulation cont.

Regulation	Section in Regulation
<b>Corporations Act 2001</b> cont.	<p><i>been given to the directors at the time the auditor's report was made.</i></p> <p><i>(5B) An individual auditor or a lead auditor is not required to give a declaration under subsection (1) or (3) in respect of a contravention if:</i></p> <ul style="list-style-type: none"><li><i>(a) the contravention was a contravention by a person of subsection 324CE(2), 324CF(2) or 324CG(2); and</i></li><li><i>(b) the person does not commit an offence because of subsection 324CE(4), 324CF(4) or 324CG(4).</i></li></ul>
	<p><b>Self-incrimination</b></p> <p><i>(6) An individual is not excused from giving a declaration under subsection (1) or (3) on the ground that giving the declaration might tend to incriminate the individual or expose the individual to a penalty.</i></p>
	<p><b>Use/derivative use indemnity</b></p> <p><i>(7) However, neither:</i></p> <ul style="list-style-type: none"><li><i>(a) the information included in the declaration; nor</i></li><li><i>(b) any information, document or thing obtained as a direct or indirect consequence of including the information in the declaration;</i> <i>is admissible in evidence against the individual in any criminal proceedings, or in any proceedings that would expose the person to a penalty, other than:</i></li><li><i>(c) proceedings for an offence against section 1308 or 1309 in relation to the declaration; or</i></li><li><i>(d) proceedings for an offence against section 137.1 or 137.2 of the Criminal Code (false or misleading information or documents) in relation to the declaration.</i></li></ul>
	<p><b>317 Consideration of reports at AGM</b></p> <p><i>(1) The directors of a public company that is required to hold an AGM must lay before the AGM:</i></p> <ul style="list-style-type: none"><li><i>(a) the financial report; and</i></li><li><i>(b) the directors' report; and</i></li><li><i>(c) the auditor's report;</i></li></ul> <p><i>for the last financial year that ended before the AGM.</i></p>
	<p><b>319 Lodgement of annual reports with ASIC</b></p> <p><i>(1) A company, registered scheme or disclosing entity that has to prepare or obtain a report for a financial year under Division 1 must lodge the report with ASIC. This obligation extends to a concise report provided to members under section 314.</i></p>
	<p><b>324DA Limited term for eligibility to play significant role in audit of a listed company or listed registered scheme</b></p>

**Corporations Act 2001  
cont.**

- (1) *If an individual plays a significant role in the audit of a listed company or listed registered scheme for 5 successive financial years (the **extended audit involvement period**), the individual is not eligible to play a significant role in the audit of the company or the scheme for a later financial year (the **subsequent financial year**) unless:*
- (a) *the individual has not played a significant role in the audit of the company or the scheme for at least 2 successive financial years (the **intervening financial years**); and*
  - (b) *the intervening financial years:*
    - (i) *commence after the end of the extended audit involvement period; and*
    - (ii) *end before the beginning of the subsequent financial year.*

*Note: Play a significant role in an audit is defined in section 9.*

- (2) *An individual is not eligible to play a significant role in the audit of a listed company or listed registered scheme for a financial year if, were the individual to do so, the individual would play a significant role in the audit of the company or scheme for more than 5 out of 7 successive financial years.*
- (3) *For the purposes of subsection (2), disregard an individual's playing of a significant role in the audit of a company or scheme for a financial year if:*
- (a) *either:*
    - (i) *the directors of the company or scheme grant an approval under section 324DAA in relation to the individual; or*
    - (ii) *ASIC makes a declaration under paragraph 342A(1)(a) in relation to the individual; and*
  - (b) *because of the approval or the declaration, subsection (1) of this section does not operate to make the individual not eligible to play a significant role in the audit of the company or scheme for that financial year.*

# Appendix 3: Canadian Regulation

Regulation	Section in Regulation
<b>Canada Business Corporations Act 1985</b>	<p data-bbox="526 331 973 362"><b>Duty of care of directors and officers</b></p> <p data-bbox="526 376 1324 448"><i>122 (1) Every director and officer of a corporation in exercising their powers and discharging their duties shall</i></p> <ul style="list-style-type: none"> <li data-bbox="622 465 1388 533"><i>(a) act honestly and in good faith with a view to the best interests of the corporation; and</i></li> <li data-bbox="622 551 1388 618"><i>(b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.</i></li> </ul> <p data-bbox="526 636 925 667"><b>Best interests of the corporation</b></p> <p data-bbox="542 685 1356 819"><i>(1.1) When acting with a view to the best interests of the corporation under paragraph (1)(a), the directors and officers of the corporation may consider, but are not limited to, the following factors:</i></p> <ul style="list-style-type: none"> <li data-bbox="622 837 845 869"><i>(a) the interests of</i> <ul style="list-style-type: none"> <li data-bbox="670 887 877 918"><i>(i) shareholders,</i></li> <li data-bbox="670 936 845 967"><i>(ii) employees,</i></li> <li data-bbox="670 985 989 1016"><i>(iii) retirees and pensioners,</i></li> <li data-bbox="670 1034 829 1066"><i>(iv) creditors,</i></li> <li data-bbox="670 1084 893 1115"><i>(v) consumers, and</i></li> <li data-bbox="670 1133 877 1164"><i>(vi) governments;</i></li> </ul> </li> <li data-bbox="622 1182 909 1214"><i>(b) the environment; and</i></li> <li data-bbox="622 1232 1149 1263"><i>(c) the long-term interests of the corporation.</i></li> </ul> <p data-bbox="526 1281 718 1312"><b>Duty to comply</b></p> <p data-bbox="574 1330 1340 1433"><i>(2) Every director and officer of a corporation shall comply with this Act, the regulations, articles, by-laws and any unanimous shareholder agreement.</i></p> <p data-bbox="526 1451 861 1482"><b>Annual financial statements</b></p> <p data-bbox="526 1500 1388 1572"><i>155 (1) The directors of a corporation shall place before the shareholders at every annual meeting</i></p> <ul style="list-style-type: none"> <li data-bbox="622 1590 1372 1657"><i>(a) prescribed comparative financial statements that conform to any prescribed requirements and relate separately to</i> <ul style="list-style-type: none"> <li data-bbox="670 1675 1388 1881"><i>(i) the period that began on the date the corporation came into existence and ended not more than six months before the annual meeting or, if the corporation has completed a financial year, the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting, and</i></li> <li data-bbox="670 1899 1197 1930"><i>(ii) the immediately preceding financial year;</i></li> </ul> </li> <li data-bbox="622 1948 1069 1980"><i>(b) the report of the auditor, if any; an</i></li> <li data-bbox="622 1998 1340 2065"><i>(c) any further information respecting the financial position of the corporation and the results of its operations required</i></li> </ul>

**Canada Business Corporations Act 1985 cont.**

*by the articles, the by-laws or any unanimous shareholder agreement.*

**Approval of financial statements**

*158 (1) The directors of a corporation shall approve the financial statements referred to in section 155 and the approval shall be evidenced by the manual signature of one or more directors or a facsimile of the signatures reproduced in the statements.*

**Diversity in corporations**

*172.1 (1) The directors of a prescribed corporation shall place before the shareholders, at every annual meeting, the prescribed information respecting diversity among the directors and among the members of senior management as defined by regulation.*

**Copies to shareholders**

*159 (1) A corporation shall, not less than twenty-one days before each annual meeting of shareholders or before the signing of a resolution under paragraph 142(1)(b) in lieu of the annual meeting, send a copy of the documents referred to in section 155 to each shareholder, except to a shareholder who has informed the corporation in writing that he or she does not want a copy of those documents.*

**Canada Business Corporations Regulations 2001**

**Contents of Financial Statements**

- 72 (1) The financial statements referred to in section 155 of the Act shall include at least*
- (a) a statement of financial position or a balance sheet;*
  - (b) a statement of comprehensive income or an income statement;*
  - (c) a statement of changes in equity or a statement of retained earnings; and*
  - (d) a statement of cash flows or a statement of changes in financial position.*
- (2) Financial statements need not be designated by the names set out in paragraphs (1)(a) to (d).*

**Disclosure Relating to Diversity**

*72.2 (1) The following definitions apply in this Part.*

*designated groups has the same meaning as in section 3 of the Employment Equity Act. (groupes désignés)*

*major subsidiary means, in respect of a distributing corporation, a subsidiary that*

- (a) has assets, as included in the distributing corporation's most recent annual audited or interim balance sheet or most recent statement of financial position, that are 30 percent or more of the consolidated assets of the distributing corporation reported on that balance sheet or statement of financial position, as the case may be; or*
- (b) has revenue, as included in the distributing corporation's most recent annual audited or interim income statement or*

# Appendix 3: Canadian Regulation cont.

Regulation	Section in Regulation
<p><b>Canada Business Corporations Regulations 2001 cont.</b></p>	<p><i>most recent statement of comprehensive income, that is 30 percent or more of the consolidated revenue of the distributing company reported on that statement. (filiale importante)</i></p> <p>(2) <i>For the purposes of subsection 172.1(1) of the Act, a distributing corporation is a prescribed corporation.</i></p> <p>(3) <i>For the purpose of subsection 172.1(1) of the Act, members of senior management means, in respect of a distributing corporation, the following individuals:</i></p> <ul style="list-style-type: none"> <li>(a) <i>the chair and vice-chair of the board of directors;</i></li> <li>(b) <i>the president of the corporation;</i></li> <li>(c) <i>the chief executive officer and chief financial officer;</i></li> <li>(d) <i>the vice-president in charge of a principal business unit, division or function, including sales, finance or production; and</i></li> <li>(e) <i>an individual who performs a policy-making function in respect of the corporation.</i></li> </ul> <p>(4) <i>For the purpose of subsection 172.1(1) of the Act, the following information is prescribed:</i></p> <ul style="list-style-type: none"> <li>(a) <i>indication of whether or not the distributing corporation has adopted term limits for the directors on its board or other mechanisms of board renewal and, as the case may be, a description of those term limits or mechanisms or the reasons why it has not adopted them;</i></li> <li>(b) <i>indication of whether or not the distributing corporation has adopted a written policy relating to the identification and nomination of members of designated groups for directors and, if it has not adopted a written policy, the reasons why it has not adopted the policy;</i></li> <li>(c) <i>if the distributing corporation has adopted the written policy referred to in paragraph (b),</i> <ul style="list-style-type: none"> <li>(i) <i>a short summary of the policy’s objectives and key provisions,</i></li> <li>(ii) <i>a description of the measures taken to ensure that the policy is effectively implemented,</i></li> <li>(iii) <i>a description of the annual and cumulative progress by the distributing corporation in achieving the objectives of the policy, and</i></li> <li>(iv) <i>whether or not the board of directors or its nominating committee measures the effectiveness of the policy and, if so, a description of how it is measured;</i></li> </ul> </li> <li>(d) <i>whether or not the board of directors or its nominating committee considers the level of the representation of designated groups on the board in identifying and nominating candidates for election or re-election to the board and, as the case may be, how that level is considered or the reasons why it</i></li> </ul>



**Canada Business Corporations Regulations 2001 cont.**

*is not considered;*

- (e) whether or not the distributing corporation considers the level of representation of designated groups when appointing members of senior management and, as the case may be, how that level is considered or the reasons why it is not considered;*
- (f) whether or not the distributing corporation has, for each group referred to in the definition designated groups, adopted a target number or percentage, or a range of target numbers or percentages, for members of the group to hold positions on the board of directors by a specific date and
  - (i) for each group for which a target has been adopted, the target and the annual and cumulative progress of the corporation in achieving that target, and*
  - (ii) for each group for which a target has not been adopted, the reasons why the corporation has not adopted that target;**
- (g) whether or not the distributing corporation has, for each group referred to in the definition designated groups, adopted a target number or percentage, or a range of target numbers or percentages, for members of the group to be members of senior management by a specific date and,
  - (i) for each group for which a target has been adopted, the target and the annual and cumulative progress of the corporation in achieving that target, and*
  - (ii) for each group for which a target has not been adopted, the reasons why the corporation has not adopted that target;**
- (h) for each group referred to in the definition designated groups, the number and proportion, expressed as a percentage, of members of each group who hold positions on the board of directors; and*
- (i) for each group referred to in the definition designated groups, the number and proportion, expressed as a percentage, of members of each group who are members of senior management of the distributing corporation, including all of its major subsidiaries.*

**Business Corporations Act 2002****Company to file annual report**

- 51 Subject to sections 330 (k) and 411 (2), a company must annually, within 2 months after each anniversary of the date on which the company was recognized, file with the registrar an annual report in the form established by the registrar containing information that is current to the most recent anniversary.*

## Appendix 4: United Kingdom Regulation

Regulation	Section in Regulation
Companies Act 2006	<b>171 Duty to act within powers</b> <i>A director of a company must—</i> <ul style="list-style-type: none"><li>(a) <i>act in accordance with the company’s constitution, and</i></li><li>(b) <i>only exercise powers for the purposes for which they are conferred.</i></li></ul>
	<b>172 Duty to promote the success of the company</b> <ul style="list-style-type: none"><li>(1) <i>A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to—</i><ul style="list-style-type: none"><li>(a) <i>the likely consequences of any decision in the long term,</i></li><li>(b) <i>the interests of the company’s employees,</i></li><li>(c) <i>the need to foster the company’s business relationships with suppliers, customers and others,</i></li><li>(d) <i>the impact of the company’s operations on the community and the environment,</i></li><li>(e) <i>the desirability of the company maintaining a reputation for high standards of business conduct, and</i></li><li>(f) <i>the need to act fairly as between members of the company.</i></li></ul></li><li>(2) <i>Where or to the extent that the purposes of the company consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the company for the benefit of its members were to achieving those purposes.</i></li><li>(3) <i>The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.</i></li></ul>
	<b>173 Duty to exercise independent judgment</b> <ul style="list-style-type: none"><li>(1) <i>A director of a company must exercise independent judgment.</i></li><li>(2) <i>This duty is not infringed by his acting—</i><ul style="list-style-type: none"><li>(a) <i>in accordance with an agreement duly entered into by the company that restricts the future exercise of discretion by its directors, or</i></li><li>(b) <i>in a way authorised by the company’s constitution.</i></li></ul></li></ul>
	<b>174 Duty to exercise reasonable care, skill and diligence</b> <ul style="list-style-type: none"><li>(1) <i>A director of a company must exercise reasonable care, skill and diligence.</i></li><li>(2) <i>This means the care, skill and diligence that would be exercised by a reasonably diligent person with—</i></li></ul>

**Companies Act 2006 cont.**

- (a) *the general knowledge, skill and experience that may reasonably be expected of a person carrying out the functions carried out by the director in relation to the company, and*
- (b) *the general knowledge, skill and experience that the director has.*

**385 Quoted and unquoted companies**

- (1) *For the purposes of this Part a company is a quoted company in relation to a financial year if it is a quoted company immediately before the end of the accounting reference period by reference to which that financial year was determined.*
- (2) A “quoted company” means a company whose equity share capital—
  - (a) *has been included in the official list in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000 (c. 8), or*
  - (b) *is officially listed in an EEA State, or*
  - (c) *is admitted to dealing on either the New York Stock Exchange or the exchange known as Nasdaq.*
- (3) An “unquoted company” means a company that is not a quoted company.

**393 Accounts to give true and fair view**

- (1) *The directors of a company must not approve accounts for the purposes of this Chapter unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss—*
  - (a) *in the case of the company’s individual accounts, of the company;*
  - (b) *in the case of the company’s group accounts, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.*
- (2) *The auditor of a company in carrying out his functions under this Act in relation to the company’s annual accounts must have regard to the directors’ duty under subsection (1).*

**411 Information about employee numbers and costs**

- (1) *The notes to a company’s annual accounts must disclose the average number of persons employed by the company in the financial year.*
- (1A) *In the case of a company not subject to the small companies regime, the notes to the company’s accounts must also disclose the average number of persons within each category of persons so employed.*
- (2) *The categories by reference to which the number required to be disclosed by subsection (1A) is to be determined must be such as the directors may select having regard to the manner in which the company’s activities are organised.*

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>Companies Act 2006 cont.</b>	<p>(3) <i>The average number required by subsection (1) or (1A) is determined by dividing the relevant annual number by the number of months in the financial year.</i></p> <p>(4) <i>The relevant annual number is determined by ascertaining for each month in the financial year—</i></p> <p style="padding-left: 40px;">(a) <i>for the purposes of subsection (1), the number of persons employed under contracts of service by the company in that month (whether throughout the month or not);</i></p> <p style="padding-left: 40px;">(b) <i>for the purposes of subsection (1A), the number of persons in the category in question of persons so employed;</i></p> <p style="padding-left: 40px;"><i>and adding together all the monthly numbers.</i></p> <p>(5) <i>Except in the case of a company subject to the small companies regime, the notes to the company’s annual accounts or the profit and loss account must disclose, with reference to all persons employed by the company during the financial year, the total staff costs of the company relating to the financial year broken down between—</i></p> <p style="padding-left: 40px;">(a) <i>wages and salaries paid or payable in respect of that year to those persons,</i></p> <p style="padding-left: 40px;">(b) <i>social security costs incurred by the company on their behalf, and</i></p> <p style="padding-left: 40px;">(c) <i>other pension costs so incurred.</i></p> <p><b>412 Information about directors’ benefits: remuneration</b></p> <p>(1) <i>The Secretary of State may make provision by regulations requiring information to be given in notes to a company’s annual accounts about directors’ remuneration.</i></p> <p>(2) <i>The matters about which information may be required include—</i></p> <p style="padding-left: 40px;">(a) <i>gains made by directors on the exercise of share options;</i></p> <p style="padding-left: 40px;">(b) <i>benefits received or receivable by directors under long-term incentive schemes;</i></p> <p style="padding-left: 40px;">(c) <i>payments for loss of office (as defined in section 215);</i></p> <p style="padding-left: 40px;">(d) <i>benefits receivable, and contributions for the purpose of providing benefits, in respect of past services of a person as director or in any other capacity while director;</i></p> <p style="padding-left: 40px;">(e) <i>consideration paid to or receivable by third parties for making available the services of a person as director or in any other capacity while director.</i></p> <p>(6) <i>Without prejudice to the generality of subsection (1), regulations under this section may make any such provision as was made immediately before the commencement of this Part by Part 1 of Schedule 6 to the Companies Act 1985 (c. 6).</i></p>

**Companies Act 2006 cont. 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, 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.*

**414B Strategic report: small companies exemption**

*A company is entitled to [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.]*

**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.*

*[Section 414CZA (section 172(1) statement) and sections 414CA and 414CB (non-financial information statement) make further provision about the contents of a strategic report.]*
- (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*
  - (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*

# Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>Companies Act 2006 cont.</b>	<p><i>matters and employee matters.</i></p> <p>(5) <i>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.</i></p> <p>(6) <i>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.</i></p> <p>(7) <i>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—</i></p> <ul style="list-style-type: none"> <li><i>(a) the main trends and factors likely to affect the future development, performance and position of the company’s business, and</i></li> <li><i>(b) information about—</i> <ul style="list-style-type: none"> <li><i>(i) environmental matters (including the impact of the company’s business on the environment),</i></li> <li><i>(ii) the company’s employees, and</i></li> <li><i>(iii) social, community and human rights issues,</i></li> </ul> <i>including information about any policies of the company in relation to those matters and the effectiveness of those policies.</i> </li> </ul> <p><i>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.</i></p> <p>(8) <i>In the case of a quoted company the strategic report must include—</i></p> <ul style="list-style-type: none"> <li><i>(a) a description of the company’s strategy,</i></li> <li><i>(b) a description of the company’s business model,</i></li> <li><i>(c) a breakdown showing at the end of the financial year—</i> <ul style="list-style-type: none"> <li><i>(i) the number of persons of each sex who were directors of the company;</i></li> <li><i>(ii) the number of persons of each sex who were senior managers of the company (other than persons falling within sub-paragraph (i)); and</i></li> <li><i>(iii) the number of persons of each sex who were employees of the company.</i></li> </ul> </li> </ul> <p>(9) <i>In subsection (8), “senior manager” means a person who—</i></p> <ul style="list-style-type: none"> <li><i>(a) has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company, and</i></li> <li><i>(b) is an employee of the company.</i></li> </ul>

**Companies Act 2006 cont.**

- (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*
  - (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.]*

**414CZA Section 172(1) statement**

- (1) *A strategic report for a financial year of a company must include a statement (a "section 172(1) statement") which describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172.*
- (2) *Subsection (1) does not apply if the company qualifies as medium-sized in relation to that financial year (see sections 465 to 467).]*

**414C A Non-financial information statement**

- (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).*

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>Companies Act 2006 cont.</b>	<p>(4) <i>Subsection (1) does not apply if—</i></p> <ul style="list-style-type: none"><li>(a) <i>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</i></li><li>(b) <i>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.</i></li></ul> <p>(5) <i>The number of employees means the average number of persons employed by the company in the year, determined as follows—</i></p> <ul style="list-style-type: none"><li>(a) <i>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),</i></li><li>(b) <i>add together the monthly totals, and</i></li><li>(c) <i>divide by the number of months in the financial year.</i></li></ul> <p>(6) <i>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.</i></p> <p>(8) <i>Subsection (1) does not apply if the company is a subsidiary undertaking at the end of that financial year and is included in—</i></p> <ul style="list-style-type: none"><li>(a) <i>a group strategic report of a parent undertaking of the company that satisfies the requirements in subsection (8), or</i></li><li>(b) <i>a report that satisfies the requirements in subsection (9).</i></li></ul> <p>(8) <i>The requirements in this subsection are that—</i></p> <ul style="list-style-type: none"><li>(a) <i>the group strategic report relates to undertakings that include the company and its subsidiary undertakings (if any),</i></li><li>(b) <i>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</i></li><li>(c) <i>the report includes a group non-financial information statement in respect of all the undertakings included in the consolidation.</i></li></ul> <p>(9) <i>The requirements in this subsection are that—</i></p> <ul style="list-style-type: none"><li>(a) <i>the report is—</i><ul style="list-style-type: none"><li>(i) <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</i></li><li>(ii) <i>such separate report as is referred to in Article 19a(3) or 29a(3) of that Directive,</i></li></ul></li><li>(b) <i>the report is the report of a parent undertaking of the company established under the law of an EEA State,</i></li></ul>



**Companies Act 2006 cont.**

- (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.*

**414C B 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.*

## Appendix 4: United Kingdom Regulation cont.

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### Regulation

### Section in Regulation

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#### Companies Act 2006 cont.

- (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).*
- (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.*

#### 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.*

#### 415 Duty to prepare directors' report

- (1) *The directors of a company must prepare a directors' report for*

**Companies Act 2006 cont.**

*each financial year of the company.*

*[(1A)Subsection (1) does not apply if the company qualifies as a micro-entity (see sections 384A and 384B).]*

- (2) *For a financial year in which—*
- (a) *the company is a parent company, and*
  - (b) *the directors of the company prepare group accounts, the directors' report must be a consolidated report (a "group directors' report") relating to the undertakings included in the consolidation.*
- (3) *A group directors' report may, where appropriate, give greater emphasis to the matters that are significant to the undertakings included in the consolidation, taken as a whole.*
- (4) *In the case of failure to comply with the requirement to prepare a directors' 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.*
- (5) *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.*

**Note:** More information on the directors' report can be found in Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. See below.

**416 Contents of directors' report: general**

- (1) *The directors' report for a financial year must state—*
- (a) *the names of the persons who, at any time during the financial year, were directors of the company, and*
  - (b) .....
- (2) .....
- (3) *Except in the case of a company [entitled to the small companies exemption], the report must state the amount (if any) that the directors recommend should be paid by way of dividend.*
- (4) *The Secretary of State may make provision by regulations as to other matters that must be disclosed in a directors' report.*

*Without prejudice to the generality of this power, the regulations may make any such provision as was formerly made by Schedule 7 to the Companies Act 1985.*

**Note:** More information on the directors' report can be found in Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. See below.

**418 Contents of directors' report: statement as to disclosure to auditors**

- (1) *This section applies to a company unless—*
- (a) *it is exempt for the financial year in question from the requirements of Part 16 as to audit of accounts, and*
  - (b) *the directors take advantage of that exemption.*

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>Companies Act 2006 cont.</b>	<p>(2) <i>The directors’ report must contain a statement to the effect that, in the case of each of the persons who are directors at the time the report is approved—</i></p> <p>(a) <i>so far as the director is aware, there is no relevant audit information of which the company’s auditor is unaware, and</i></p> <p>(b) <i>he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company’s auditor is aware of that information.</i></p> <p>(3) <i>“Relevant audit information” means information needed by the company’s auditor in connection with preparing his report.</i></p> <p>(4) <i>A director is regarded as having taken all the steps that he ought to have taken as a director in order to do the things mentioned in subsection (2)(b) if he has—</i></p> <p>(a) <i>made such enquiries of his fellow directors and of the company’s auditors for that purpose, and</i></p> <p>(b) <i>taken such other steps (if any) for that purpose, as are required by his duty as a director of the company to exercise reasonable care, skill and diligence.</i></p> <p>(5) <i>Where a directors’ report containing the statement required by this section is approved but the statement is false, every director of the company who—</i></p> <p>(a) <i>knew that the statement was false, or was reckless as to whether it was false, and</i></p> <p>(b) <i>failed to take reasonable steps to prevent the report from being approved, commits an offence.</i></p> <p>(6) <i>A person guilty of an offence under subsection (5) is liable—</i></p> <p>(a) <i>on conviction on indictment, to imprisonment for a term not exceeding two years or a fine (or both);</i></p> <p>(b) <i>on summary conviction—</i></p> <p>(i) <i>in England and Wales, to imprisonment for a term not exceeding twelve months or to a fine not exceeding the statutory maximum (or both);</i></p> <p>(ii) <i>in Scotland or Northern Ireland, to imprisonment for a term not exceeding six months, or to a fine not exceeding the statutory maximum (or both).</i></p>
	<b>419 Approval and signing of directors’ report</b>
	<p>(1) <i>The directors’ 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.</i></p> <p>(2) <i>If in preparing the report advantage is taken of the small companies exemption,], it must contain a statement to that effect in a prominent position above the signature.</i></p> <p>(3) <i>If a directors’ report is approved that does not comply with the</i></p>

**Companies Act 2006 cont.**

*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.*

*(4) 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.*

**Note:** More information on the directors' remuneration report can be found in Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. See below.

**420 Duty to prepare directors' remuneration report**

- (1) The directors of a quoted company, or of a traded company (as defined by section 360C) that is not a quoted company, must prepare a directors' remuneration report for each financial year of the company.*
- (2) In the case of failure to comply with the requirement to prepare a directors' remuneration report, 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, 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*

**433 Name of signatory to be stated in published copies of accounts and reports**

- (1) Every copy of a document to which this section applies that is published by or on behalf of the company must state the name of the person who signed it on behalf of the board.*
- (2) In the case of an unquoted company, this section applies to copies of—*
  - (a) the company's balance sheet, and*
  - (b) the directors' report.*
- (3) In the case of a quoted company, this section applies to copies of—*
  - (a) the company's balance sheet,*
  - (b) the directors' remuneration report, and*
  - (c) the directors' report.*
- (4) If a copy is published without the required statement of the signatory's name, an offence is committed by—*
  - (a) the company, and*

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>Companies Act 2006 cont.</b>	<p><i>(b) every officer of the company who is in default.</i></p> <p><i>(5) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale.</i></p> <p><b>441 Duty to file accounts and reports with the registrar</b></p> <p><i>(1) The directors of a company must deliver to the registrar for each financial year the accounts and reports required by—</i></p> <p><i>section 444 (filing obligations of companies subject to small companies regime),</i></p> <p><i>section 444A (filing obligations of companies entitled to small companies exemption in relation to directors' report),</i></p> <p><i>section 445 (filing obligations of medium-sized companies),</i></p> <p><i>section 446 (filing obligations of unquoted companies), or</i></p> <p><i>section 447 (filing obligations of quoted companies).</i></p> <p><b>444 Filing obligations of companies subject to small companies regime</b></p> <p><i>(1) The directors of a company subject to the small companies regime—</i></p> <p><i>(a) must deliver to the registrar for each financial year a copy of [the balance sheet] drawn up as at the last day of that year, and</i></p> <p><i>(b) may also deliver to the registrar—</i></p> <p><i>(i) a copy of the company's profit and loss account for that year, and</i></p> <p><i>(ii) a copy of the directors' report for that year.</i></p> <p><b>444A Filing obligations of companies entitled to small companies exemption in relation to directors' report</b></p> <p><i>(1) The directors of a company that is entitled to small companies exemption in relation to the directors' report for a financial year—</i></p> <p><i>(a) must deliver to the registrar a copy of the company's annual accounts for that year, and</i></p> <p><i>(b) may also deliver to the registrar a copy of the directors' report.</i></p> <p><b>445 Filing obligations of medium-sized companies</b></p> <p><i>(1) The directors of a company that qualifies as a medium-sized company in relation to a financial year (see sections 465 to 467) must deliver to the registrar a copy of—</i></p> <p><i>(a) the company's annual accounts, ...</i> <i>[(aa) the strategic report, and]</i></p> <p><i>(b) the directors' report.</i></p> <p><i>(2) They must also deliver to the registrar a copy of the auditor's report on those accounts (and on [F3 the strategic report and] the directors' report).</i></p>

**Companies Act 2006 cont. 446 Filing obligations of unquoted companies**

- (1) *The directors of an unquoted company must deliver to the registrar for each financial year of the company a copy of—*
  - (a) *the company's annual accounts, . . .*  
*[(aa) the strategic report,]*
  - (b) *the directors' report [...]*  
*[(ba) any directors' remuneration report, and]*
  - (c) *any separate corporate governance statement.]*
- (2) *The directors must also deliver to the registrar a copy of the auditor's report on those accounts (and [the strategic report this is covered by the auditor's report,]) the directors' report [any directors' remuneration report] [and any separate corporate governance statement].*

*This does not apply if the company is exempt from audit and the directors have taken advantage of that exemption.*

**447 Filing obligations of quoted companies**

- (1) *The directors of a quoted company must deliver to the registrar for each financial year of the company a copy of—*
  - (a) *the company's annual accounts,*
  - (b) *the directors' remuneration report, . . .*  
*[(ba) the strategic report,]*
  - (c) *the directors' report.[and*
  - (d) *any separate corporate governance statement.]*
- (2) *They must also deliver a copy of the auditor's report on those accounts (and on the directors' remuneration report [the strategic report (where this is covered by the auditor's report,)] [the directors' report and any separate corporate governance statement]).*

**448 Unlimited companies exempt from obligation to file accounts**

- (1) *The directors of an unlimited company are not required to deliver accounts and reports to the registrar in respect of a financial year if the following conditions are met.*
- (2) *The conditions are that at no time during the relevant accounting reference period—*
  - (a) *has the company been, to its knowledge, a subsidiary undertaking of an undertaking which was then limited, or*
  - (b) *have there been, to its knowledge, exercisable by or on behalf of two or more undertakings which were then limited, rights which if exercisable by one of them would have made the company a subsidiary undertaking of it, or*
  - (c) *has the company been a parent company of an undertaking which was then limited.*

*The references above to an undertaking being limited at a particular time are to an undertaking (under whatever law established) the liability of whose members is at that time limited.*

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>Companies Act 2006 cont.</b>	<p>(3) <i>The exemption conferred by this section does not apply if—</i></p> <ul style="list-style-type: none"><li>(a) <i>the company is a banking or insurance company or the parent company of a banking or insurance group, or</i></li><li>(b) <i>each of the members of the company is—</i><ul style="list-style-type: none"><li>(i) <i>a limited company,</i></li><li>(ii) <i>another unlimited company each of whose members is a limited company, . . .</i></li><li>(iii) <i>a Scottish partnership [which is not a limited partnership,] each of whose members is a limited company [or</i></li><li>(iv) <i>a Scottish partnership which is a limited partnership, each of whose general partners is a limited company.]]</i></li></ul></li></ul>
<b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008</b>	<p>SCHEDULE 7 MATTERS TO BE DEALT WITH IN DIRECTORS' REPORT</p> <p>PART 1 MATTERS OF A GENERAL NATURE</p> <p>Introduction</p> <p>1. <i>In addition to the information required by section 416 of the 2006 Act, the directors' report must contain the following information.</i></p> <p><b>Asset values</b></p> <p>2.—(1) <i>If, in the case of such of the fixed assets of the company as consist in interests in land, their market value (as at the end of the financial year) differs substantially from the amount at which they are included in the balance sheet, and the difference is, in the directors' opinion, of such significance as to require that the attention of members of the company or of holders of its debentures should be drawn to it, the report must indicate the difference with such degree of precision as is practicable.</i></p> <p>(2) <i>In relation to a group directors' report sub-paragraph (1) has effect as if the reference to the fixed assets of the company was a reference to the fixed assets of the company and of its subsidiary undertakings included in the consolidation.</i></p> <p><b>Political donations and expenditure</b></p> <p>3.—(1) <i>If—</i></p> <ul style="list-style-type: none"><li>(a) <i>the company (not being the wholly-owned subsidiary of a company incorporated in the United Kingdom) has in the financial year—</i><ul style="list-style-type: none"><li>(i) <i>made any political donation to any political party or other political organisation,</i></li><li>(ii) <i>made any political donation to any independent election candidate, or</i></li><li>(iii) <i>incurred any political expenditure, and</i></li></ul></li><li>(b) <i>the amount of the donation or expenditure, or (as the case may</i></li></ul>



**The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.**

*be) the aggregate amount of all donations and expenditure falling within paragraph (a), exceeded £2000, the directors' report for the year must contain the following particulars.*

- (2) *Those particulars are—*
- (a) *as respects donations falling within sub-paragraph (1)(a)(i) or (ii)—*
    - (i) *the name of each political party, other political organisation or independent election candidate to whom any such donation has been made, and*
    - (ii) *the total amount given to that party, organisation or candidate by way of such donations in the financial year; and*
  - (b) *as respects expenditure falling within sub-paragraph (1)(a)(iii), the total amount incurred by way of such expenditure in the financial year.*
- (3) *If—*
- (a) *at the end of the financial year the company has subsidiaries which have, in that year, made any donations or incurred any such expenditure as is mentioned in sub-paragraph (1)(a), and*
  - (b) *it is not itself the wholly-owned subsidiary of a company incorporated in the United Kingdom,*
- the directors' report for the year is not, by virtue of sub-paragraph (1), required to contain the particulars specified in sub-paragraph (2). But, if the total amount of any such donations or expenditure (or both) made or incurred in that year by the company and the subsidiaries between them exceeds £2000, the directors' report for the year must contain those particulars in relation to each body by whom any such donation or expenditure has been made or incurred.*
- (4) *Any expression used in this paragraph which is also used in Part 14 of the 2006 Act (control of political donations and expenditure) has the same meaning as in that Part.*

- 4.—(1) *If the company (not being the wholly-owned subsidiary of a company incorporated in the United Kingdom) has in the financial year made any contribution to a non-EU political party, the directors' report for the year must contain—*
- (a) *a statement of the amount of the contribution, or*
  - (b) *(if it has made two or more such contributions in the year) a statement of the total amount of the contributions.*
- (2) *If—*
- (a) *at the end of the financial year the company has subsidiaries which have, in that year, made any such contributions as are mentioned in sub-paragraph (1), and*
  - (b) *it is not itself the wholly-owned subsidiary of a company incorporated in the United Kingdom, the directors' report for the year is not, by virtue of sub-paragraph (1), required to contain any such statement as is there mentioned, but*

# Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<p><b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.</b></p>	<p><i>it must instead contain a statement of the total amount of the contributions made in the year by the company and the subsidiaries between them.</i></p> <p>(3) <i>In this paragraph, “contribution”, in relation to an organisation, means—</i></p> <ul style="list-style-type: none"> <li>(a) <i>any gift of money to the organisation (whether made directly or indirectly);</i></li> <li>(b) <i>any subscription or other fee paid for affiliation to, or membership of, the organisation; or</i></li> <li>(c) <i>any money spent (otherwise than by the organisation or a person acting on its behalf) in paying any expenses incurred directly or indirectly by the organisation.</i></li> </ul> <p>(4) <i>In this paragraph, “non-EU political party” means any political party which carries on, or proposes to carry on, its activities wholly outside the member States.</i></p>
	<p><b>Charitable donations</b></p> <p>5.—(1) <i>If—</i></p> <ul style="list-style-type: none"> <li>(a) <i>the company (not being the wholly-owned subsidiary of a company incorporated in the United Kingdom) has in the financial year given money for charitable purposes, and</i></li> <li>(b) <i>the money given exceeded £2000 in amount, the directors’ report for the year must contain, in the case of each of the purposes for which money has been given, a statement of the amount of money given for that purpose.</i></li> </ul> <p>(2) <i>If—</i></p> <ul style="list-style-type: none"> <li>(a) <i>at the end of the financial year the company has subsidiaries which have, in that year, given money for charitable purposes, and</i></li> <li>(b) <i>it is not itself the wholly owned subsidiary of a company incorporated in the United Kingdom, sub-paragraph (1) does not apply to the company.</i></li> </ul> <p><i>But, if the amount given in that year for charitable purposes by the company and the subsidiaries between them exceeds £2000, the directors’ report for the year must contain, in the case of each of the purposes for which money has been given by the company and the subsidiaries between them, a statement of the amount of money given for that purpose.</i></p> <p>(3) <i>Money given for charitable purposes to a person who, when it was given, was ordinarily resident outside the United Kingdom is to be left out of account for the purposes of this paragraph.</i></p> <p>(4) <i>For the purposes of this paragraph, “charitable purposes” means purposes which are exclusively charitable, and as respects Scotland a purpose is charitable if it is listed in section 7(2) of the Charities and Trustee Investment (Scotland) Act 2005 F1.</i></p>

**The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008**  
cont.

**Financial instruments**

- 6.—(1) *In relation to the use of financial instruments by a company, the directors' report must contain an indication of—*
- (a) *the financial risk management objectives and policies of the company, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and*
  - (b) *the exposure of the company to price risk, credit risk, liquidity risk and cash flow risk, unless such information is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company.*
- (2) *In relation to a group directors' report sub-paragraph (1) has effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.*
- (3) *In sub-paragraph (1) the expressions "hedge accounting", "price risk", "credit risk", "liquidity risk" and "cash flow risk" have the same meaning as they have in Council Directive 78/660/EEC on the annual accounts of certain types of companies, and in Council Directive 83/349/EEC on consolidated accounts F2.*

**Miscellaneous**

- 7.—(1) *The directors' report must contain—*
- (a) *particulars of any important events affecting the company which have occurred since the end of the financial year,*
  - (b) *an indication of likely future developments in the business of the company,*
  - (c) *an indication of the activities (if any) of the company in the field of research and development, and*
  - (d) *(unless the company is an unlimited company) an indication of the existence of branches (as defined in section 1046(3) of the 2006 Act) of the company outside the United Kingdom.*
- (2) *In relation to a group directors' report paragraphs (a), (b) and (c) of sub-paragraph (1) have effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.*

**PART 2 DISCLOSURE REQUIRED BY COMPANY ACQUIRING ITS OWN SHARES ETC.**

8. *This Part of this Schedule applies where shares in a company—*
- (a) *are purchased by the company or are acquired by it by forfeiture or surrender in lieu of forfeiture, or in pursuance of any of the following provisions (acquisition of own shares by company limited by shares)—*
    - (i) *section 143(3) of the Companies Act 1985 F3,*
    - (ii) *Article 153(3) of the Companies (Northern Ireland) Order 1986 F4, or*

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.</b>	(iii) section 659 of the 2006 Act, or
	(b) are acquired by another person in circumstances where paragraph (c) or (d) of any of the following provisions applies (acquisition by company's nominee, or by another with company financial assistance, the company having a beneficial interest)—
	(i) section 146(1) of the Companies Act 1985,
	(ii) Article 156(1) of the Companies (Northern Ireland) Order 1986 F6, or
	(iii) section 662(1) of the 2006 Act applies, or
	(c) are made subject to a lien or other charge taken (whether expressly or otherwise) by the company and permitted by any of the following provisions (exceptions from general rule against a company having a lien or charge on its own shares)—
	(i) section 150(2) or (4) of the Companies Act 1985,
	(ii) Article 160(2) or (4) of the Companies (Northern Ireland) Order 1986 F8, or
	(iii) section 670(2) or (4) of the 2006 Act.
	9. The directors' report for a financial year must state—
(a) the number and nominal value of the shares so purchased, the aggregate amount of the consideration paid by the company for such shares and the reasons for their purchase;	
(b) the number and nominal value of the shares so acquired by the company, acquired by another person in such circumstances and so charged respectively during the financial year;	
(c) the maximum number and nominal value of shares which, having been so acquired by the company, acquired by another person in such circumstances or so charged (whether or not during that year) are held at any time by the company or that other person during that year;	
(d) the number and nominal value of the shares so acquired by the company, acquired by another person in such circumstances or so charged (whether or not during that year) which are disposed of by the company or that other person or cancelled by the company during that year;	
(e) where the number and nominal value of the shares of any particular description are stated in pursuance of any of the preceding sub-paragraphs, the percentage of the called-up share capital which shares of that description represent;	
(f) where any of the shares have been so charged the amount of the charge in each case; and	
(g) where any of the shares have been disposed of by the	

**The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.**

*company or the person who acquired them in such circumstances for money or money's worth the amount or value of the consideration in each case.*

**PART 3 DISCLOSURE CONCERNING EMPLOYMENT ETC. OF DISABLED PERSONS**

10.—(1) *This Part of this Schedule applies to the directors' report where the average number of persons employed by the company in each week during the financial year exceeded 250.*

(2) *That average number is the quotient derived by dividing, by the number of weeks in the financial year, the number derived by ascertaining, in relation to each of those weeks, the number of persons who, under contracts of service, were employed in the week (whether throughout it or not) by the company, and adding up the numbers ascertained.*

(3) *The directors' report must in that case contain a statement describing such policy as the company has applied during the financial year—*

(a) *for giving full and fair consideration to applications for employment by the company made by disabled persons, having regard to their particular aptitudes and abilities,*

(b) *for continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company, and*

(c) *otherwise for the training, career development and promotion of disabled persons employed by the company.*

(4) *In this Part—*

(a) *“employment” means employment other than employment to work wholly or mainly outside the United Kingdom, and “employed” and “employee” are to be construed accordingly; and*

(b) *“disabled person” means the same as in the Disability Discrimination Act 1995 F9.*

**PART 4 EMPLOYEE INVOLVEMENT**

11.—(1) *This Part of this Schedule applies to the directors' report where the average number of persons employed by the company in each week during the financial year exceeded 250.*

(2) *That average number is the quotient derived by dividing, by the number of weeks in the financial year, the number derived by ascertaining, in relation to each of those weeks, the number of persons who, under contracts of service, were employed in the week (whether throughout it or not) by the company, and adding up the numbers ascertained.*

(3) *The directors' report must in that case contain a statement describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at—*

(a) *providing employees systematically with information on*

# Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<p><b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.</b></p>	<p><i>matters of concern to them as employees,</i></p> <ul style="list-style-type: none"> <li><i>(b) consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests,</i></li> <li><i>(c) encouraging the involvement of employees in the company’s performance through an employees’ share scheme or by some other means,</i></li> <li><i>(d) achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.</i></li> </ul> <p><i>(4) In sub-paragraph (3) “employee” does not include a person employed to work wholly or mainly outside the United Kingdom; and for the purposes of sub-paragraph (2) no regard is to be had to such a person.</i></p>
<p><b>PART 5 POLICY AND PRACTICE ON PAYMENT OF CREDITORS</b></p>	
<p><i>12.—(1) This Part of this Schedule applies to the directors’ report for a financial year if—</i></p> <ul style="list-style-type: none"> <li><i>(a) the company was at any time within the year a public company, or</i></li> <li><i>(b) the company did not qualify as small or medium-sized in relation to the year by virtue of section 382 or 465 of the 2006 Act and was at any time within the year a member of a group of which the parent company was a public company.</i></li> </ul> <p><i>(2) The report must state, with respect to the next following financial year—</i></p> <ul style="list-style-type: none"> <li><i>(a) whether in respect of some or all of its suppliers it is the company’s policy to follow any code or standard on payment practice and, if so, the name of the code or standard and the place where information about, and copies of, the code or standard can be obtained,</i></li> <li><i>(b) whether in respect of some or all of its suppliers it is the company’s policy—</i> <ul style="list-style-type: none"> <li><i>(i) to settle the terms of payment with those suppliers when agreeing the terms of each transaction,</i></li> <li><i>(ii) to ensure that those suppliers are made aware of the terms of payment, and</i></li> <li><i>(iii) to abide by the terms of payment,</i></li> </ul> </li> <li><i>(c) where the company’s policy is not as mentioned in paragraph (a) or (b) in respect of some or all of its suppliers, what its policy is with respect to the payment of those suppliers; and if the company’s policy is different for different suppliers or classes of suppliers, the report must identify the suppliers to which the different policies apply. In this sub-paragraph references to the company’s suppliers are references to</i></li> </ul>	

**The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.**

- persons who are or may become its suppliers.*
- (3) *The report must also state the number of days which bears to the number of days in the financial year the same proportion as X bears to Y where—*
- X = the aggregate of the amounts which were owed to trade creditors at the end of the year; and*
- Y = the aggregate of the amounts in which the company was invoiced by suppliers during the year.*
- (4) *For the purposes of sub-paragraphs (2) and (3) a person is a supplier of the company at any time if—*
- (a) *at that time, he is owed an amount in respect of goods or services supplied, and*
- (b) *that amount would be included under the heading corresponding to item E.4 (trade creditors) in format 1 if—*
- (i) *the company's accounts fell to be prepared as at that time,*
- (ii) *those accounts were prepared in accordance with Schedule 1 to these Regulations, and*
- (iii) *that format were adopted.*
- (5) *For the purpose of sub-paragraph (3), the aggregate of the amounts which at the end of the financial year were owed to trade creditors is taken to be—*
- (a) *where in the company's accounts format 1 of the balance sheet formats set out in Part 1 of Schedule 1 to these Regulations is adopted, the amount shown under the heading corresponding to item E.4 (trade creditors) in that format,*
- (b) *where format 2 is adopted, the amount which, under the heading corresponding to item C.4 (trade creditors) in that format, is shown as falling due within one year, and*
- (c) *where the company's accounts are prepared in accordance with Schedule 2 or 3 to these Regulations or the company's accounts are IAS accounts, the amount which would be shown under the heading corresponding to item E.4 (trade creditors) in format 1 if the company's accounts were prepared in accordance with Schedule 1 and that format were adopted.*

**PART 6 DISCLOSURE REQUIRED BY CERTAIN PUBLICLY-TRADED COMPANIES**

- 13.—(1) *This Part of this Schedule applies to the directors' report for a financial year if the company had securities carrying voting rights admitted to trading on a regulated market at the end of that year.*
- (2) *The report must contain detailed information, by reference to the end of that year, on the following matters—*
- (a) *the structure of the company's capital, including in particular—*
- (i) *the rights and obligations attaching to the shares or, as the case may be, to each class of shares in the company, and*

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.</b>	<ul style="list-style-type: none"><li>(ii) <i>where there are two or more such classes, the percentage of the total share capital represented by each class;</i></li><li>(b) <i>any restrictions on the transfer of securities in the company, including in particular—</i><ul style="list-style-type: none"><li>(i) <i>limitations on the holding of securities, and</i></li><li>(ii) <i>requirements to obtain the approval of the company, or of other holders of securities in the company, for a transfer of securities;</i></li></ul></li><li>(c) <i>in the case of each person with a significant direct or indirect holding of securities in the company, such details as are known to the company of—</i><ul style="list-style-type: none"><li>(i) <i>the identity of the person,</i></li><li>(ii) <i>the size of the holding, and</i></li><li>(iii) <i>the nature of the holding;</i></li></ul></li><li>(d) <i>in the case of each person who holds securities carrying special rights with regard to control of the company—</i><ul style="list-style-type: none"><li>(i) <i>the identity of the person, and</i></li><li>(ii) <i>the nature of the rights;</i></li></ul></li><li>(e) <i>where—</i><ul style="list-style-type: none"><li>(i) <i>the company has an employees' share scheme, and</i></li><li>(ii) <i>shares to which the scheme relates have rights with regard to control of the company that are not exercisable directly by the employees,</i> <i>how those rights are exercisable;</i></li></ul></li><li>(f) <i>any restrictions on voting rights, including in particular—</i><ul style="list-style-type: none"><li>(i) <i>limitations on voting rights of holders of a given percentage or number of votes,</i></li><li>(ii) <i>deadlines for exercising voting rights, and</i></li><li>(iii) <i>arrangements by which, with the company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities;</i></li></ul></li><li>(g) <i>any agreements between holders of securities that are known to the company and may result in restrictions on the transfer of securities or on voting rights;</i></li><li>(h) <i>any rules that the company has about—</i><ul style="list-style-type: none"><li>(i) <i>appointment and replacement of directors, or</i></li><li>(ii) <i>amendment of the company's articles of association;</i></li></ul></li><li>(i) <i>the powers of the company's directors, including in particular any powers in relation to the issuing or buying back by the company of its shares;</i></li></ul>



**The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.**

- (j) any significant agreements to which the company is a party that take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects of any such agreements;
- (k) (any agreements between the company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.
- (3) For the purposes of sub-paragraph (2)(a) a company's capital includes any securities in the company that are not admitted to trading on a regulated market.
- (4) For the purposes of sub-paragraph (2)(c) a person has an indirect holding of securities if—
- (a) they are held on his behalf, or
- (b) he is able to secure that rights carried by the securities are exercised in accordance with his wishes.
- (5) Sub-paragraph (2)(j) does not apply to an agreement if—
- (a) disclosure of the agreement would be seriously prejudicial to the company, and
- (b) the company is not under any other obligation to disclose it.
- (6) In this paragraph—
- “securities” means shares or debentures;
- “takeover bid” has the same meaning as in the Takeovers Directive;
- “the Takeovers Directive” means Directive 2004/25/EC of the European Parliament and of the Council F10;
- “voting rights” means rights to vote at general meetings of the company in question, including rights that arise only in certain circumstances.

14. The directors' report must also contain any necessary explanatory material with regard to information that is required to be included in the report by this Part.

**SCHEDULE 8 QUOTED COMPANIES: DIRECTORS' REMUNERATION REPORT**

**PART 1 INTRODUCTORY**

- 1.—(1) In the directors' remuneration report for a financial year (“the relevant financial year”) there must be shown the information specified in Parts 2 and 3.
- (2) Information required to be shown in the report for or in respect of a particular person must be shown in the report in a manner that links the information to that person identified by name.

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.</b>	<p><b>PART 2 INFORMATION NOT SUBJECT TO AUDIT</b></p> <p><i>Consideration by the directors of matters relating to directors' remuneration</i></p> <p>2.—(1) <i>If a committee of the company's directors has considered matters relating to the directors' remuneration for the relevant financial year, the directors' remuneration report must—</i></p> <ul style="list-style-type: none"><li>(a) <i>name each director who was a member of the committee at any time when the committee was considering any such matter;</i></li><li>(b) <i>name any person who provided to the committee advice, or services, that materially assisted the committee in their consideration of any such matter;</i></li><li>(c) <i>in the case of any person named under paragraph (b), who is not a director of the company, state—</i><ul style="list-style-type: none"><li>(i) <i>the nature of any other services that that person has provided to the company during the relevant financial year; and</i></li><li>(ii) <i>whether that person was appointed by the committee.</i></li></ul></li></ul> <p>(2) <i>In sub-paragraph (1)(b) "person" includes (in particular) any director of the company who does not fall within sub-paragraph (1)(a).</i></p> <p><b>Statement of company's policy on directors' remuneration</b></p> <p>3.—(1) <i>The directors' remuneration report must contain a statement of the company's policy on directors' remuneration for the following financial year and for financial years subsequent to that.</i></p> <p>(2) <i>The policy statement must include—</i></p> <ul style="list-style-type: none"><li>(a) <i>for each director, a detailed summary of any performance conditions to which any entitlement of the director—</i><ul style="list-style-type: none"><li>(i) <i>to share options, or</i></li><li>(ii) <i>under a long term incentive scheme, is subject;</i></li></ul></li><li>(b) <i>an explanation as to why any such performance conditions were chosen;</i></li><li>(c) <i>a summary of the methods to be used in assessing whether any such performance conditions are met and an explanation as to why those methods were chosen;</i></li><li>(d) <i>if any such performance condition involves any comparison with factors external to the company—</i><ul style="list-style-type: none"><li>(i) <i>a summary of the factors to be used in making each such comparison, and</i></li><li>(ii) <i>if any of the factors relates to the performance of another company, of two or more other companies or of an index on which the securities of a company or companies are listed,</i></li></ul></li></ul>

**The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.**

- the identity of that company, of each of those companies or of the index;*
- (e) *a description of, and an explanation for, any significant amendment proposed to be made to the terms and conditions of any entitlement of a director to share options or under a long term incentive scheme; and*
- (f) *if any entitlement of a director to share options, or under a long term incentive scheme, is not subject to performance conditions, an explanation as to why that is the case.*
- (3) *The policy statement must, in respect of each director's terms and conditions relating to remuneration, explain the relative importance of those elements which are, and those which are not, related to performance.*
- (4) *The policy statement must summarise, and explain, the company's policy on—*
- (a) *the duration of contracts with directors, and*
- (b) *notice periods, and termination payments, under such contracts.*
- (5) *In sub-paragraphs (2) and (3), references to a director are to any person who serves as a director of the company at any time in the period beginning with the end of the relevant financial year and ending with the date on which the directors' remuneration report is laid before the company in general meeting.*

**Statement of consideration of conditions elsewhere in company and group**

4. *The directors' remuneration report must contain a statement of how pay and employment conditions of employees of the company and of other undertakings within the same group as the company were taken into account when determining directors' remuneration for the relevant financial year.*

**Performance graph**

- 5.—(1) *The directors' remuneration report must—*
- (a) *contain a line graph that shows for each of—*
- (i) *a holding of shares of that class of the company's equity share capital whose listing, or admission to dealing, has resulted in the company falling within the definition of "quoted company", and*
- (ii) *a hypothetical holding of shares made up of shares of the same kinds and number as those by reference to which a broad equity market index is calculated, a line drawn by joining up points plotted to represent, for each of the financial years in the relevant period, the total shareholder return on that holding; and*
- (b) *state the name of the index selected for the purposes of the graph and set out the reasons for selecting that index.*
- (2) *For the purposes of sub-paragraphs (1) and (4), "relevant period"*

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.</b>	<p><i>means the five financial years of which the last is the relevant financial year.</i></p> <p>(3) <i>Where the relevant financial year—</i></p> <p>(a) <i>is the company’s second, third or fourth financial year, sub-paragraph (2) has effect with the substitution of “two”, “three” or “four” (as the case may be) for “five”; and</i></p> <p>(b) <i>is the company’s first financial year, “relevant period”, for the purposes of sub-paragraphs (1) and (4), means the relevant financial year.</i></p> <p>(4) <i>For the purposes of sub-paragraph (1), the “total shareholder return” for a relevant period on a holding of shares must be calculated using a fair method that—</i></p> <p>(a) <i>takes as its starting point the percentage change over the period in the market price of the holding;</i></p> <p>(b) <i>involves making—</i></p> <p>(i) <i>the assumptions specified in sub-paragraph (5) as to reinvestment of income, and</i></p> <p>(ii) <i>the assumption specified in sub-paragraph (7) as to the funding of liabilities, and</i></p> <p>(c) <i>makes provision for any replacement of shares in the holding by shares of a different description; and the same method must be used for each of the holdings mentioned in sub-paragraph (1).</i></p> <p>(5) <i>The assumptions as to reinvestment of income are—</i></p> <p>(a) <i>that any benefit in the form of shares of the same kind as those in the holding is added to the holding at the time the benefit becomes receivable; and</i></p> <p>(b) <i>that any benefit in cash, and an amount equal to the value of any benefit not in cash and not falling within paragraph (a), is applied at the time the benefit becomes receivable in the purchase at their market price of shares of the same kind as those in the holding and that the shares purchased are added to the holding at that time.</i></p> <p>(6) <i>In sub-paragraph (5) “benefit” means any benefit (including, in particular, any dividend) receivable in respect of any shares in the holding by the holder from the company of whose share capital the shares form part.</i></p> <p>(7) <i>The assumption as to the funding of liabilities is that, where the holder has a liability to the company of whose capital the shares in the holding form part, shares are sold from the holding—</i></p> <p>(a) <i>immediately before the time by which the liability is due to be satisfied, and</i></p> <p>(b) <i>in such numbers that, at the time of the sale, the market price of the shares sold equals the amount of the liability in respect</i></p>

**The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008**  
cont.

*of the shares in the holding that are not being sold.*

- (8) *In sub-paragraph (7) “liability” means a liability arising in respect of any shares in the holding or from the exercise of a right attached to any of those shares.*

**Service contracts**

6.—(1) *The directors’ remuneration report must contain, in respect of the contract of service or contract for services of each person who has served as a director of the company at any time during the relevant financial year, the following information—*

- (a) *the date of the contract, the unexpired term and the details of any notice periods;*
- (b) *any provision for compensation payable upon early termination of the contract; and*
- (c) *such details of other provisions in the contract as are necessary to enable members of the company to estimate the liability of the company in the event of early termination of the contract.*

- (2) *The directors’ remuneration report must contain an explanation for any significant award made to a person in the circumstances described in paragraph 15.*

**PART 3 INFORMATION SUBJECT TO AUDIT**

*Amount of each director’s emoluments and compensation in the relevant financial year*

7.—(1) *The directors’ remuneration report must for the relevant financial year show, for each person who has served as a director of the company at any time during that year, each of the following—*

- (a) *the total amount of salary and fees paid to or receivable by the person in respect of qualifying services;*
- (b) *the total amount of bonuses so paid or receivable;*
- (c) *the total amount of sums paid by way of expenses allowance that are—*
  - (i) *chargeable to United Kingdom income tax (or would be if the person were an individual), and*
  - (ii) *paid to or receivable by the person in respect of qualifying services;*
- (d) *the total amount of—*
  - (i) *any compensation for loss of office paid to or receivable by the person, and*
  - (ii) *any other payments paid to or receivable by the person in connection with the termination of qualifying services;*
- (e) *the total estimated value of any benefits received by the person otherwise than in cash that—*
  - (i) *do not fall within any of paragraphs (a) to (d) or paragraphs 8 to 12,*

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.</b>	<p>(ii) are emoluments of the person, and</p> <p>(iii) are received by the person in respect of qualifying services; and</p> <p>(f) the amount that is the total of the sums mentioned in paragraphs (a) to (e).</p> <p>(2) The directors' remuneration report must show, for each person who has served as a director of the company at any time during the relevant financial year, the amount that for the financial year preceding the relevant financial year is the total of the sums mentioned in paragraphs (a) to (e) of sub-paragraph (1).</p> <p>(3) The directors' remuneration report must also state the nature of any element of a remuneration package which is not cash.</p> <p>(4) The information required by sub-paragraphs (1) and (2) must be presented in tabular form.</p>
	<b>Share options</b>
	<p>8.—(1) The directors' remuneration report must contain, in respect of each person who has served as a director of the company at any time in the relevant financial year, the information specified in paragraph 9.</p> <p>(2) Sub-paragraph (1) is subject to paragraph 10 (aggregation of information to avoid excessively lengthy reports).</p> <p>(3) The information specified in sub-paragraphs (a) to (c) of paragraph 9 must be presented in tabular form in the report.</p> <p>(4) In paragraph 9 "share option", in relation to a person, means a share option granted in respect of qualifying services of the person.</p> <p>9. The information required by sub-paragraph (1) of paragraph 8 in respect of such a person as is mentioned in that sub-paragraph is—</p> <p>(a) the number of shares that are subject to a share option—</p> <p>(i) at the beginning of the relevant financial year or, if later, on the date of the appointment of the person as a director of the company, and</p> <p>(ii) at the end of the relevant financial year or, if earlier, on the cessation of the person's appointment as a director of the company, in each case differentiating between share options having different terms and conditions;</p> <p>(b) information identifying those share options that have been awarded in the relevant financial year, those that have been exercised in that year, those that in that year have expired unexercised and those whose terms and conditions have been varied in that year;</p> <p>(c) for each share option that is unexpired at any time in the relevant financial year—</p>

**The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.**

- (i) *the price paid, if any, for its award,*
  - (ii) *the exercise price,*
  - (iii) *the date from which the option may be exercised, and*
  - (iv) *the date on which the option expires;*
  - (d) *a description of any variation made in the relevant financial year in the terms and conditions of a share option;*
  - (e) *a summary of any performance criteria upon which the award or exercise of a share option is conditional, including a description of any variation made in such performance criteria during the relevant financial year;*
  - (f) *for each share option that has been exercised during the relevant financial year, the market price of the shares, in relation to which it is exercised, at the time of exercise; and*
  - (g) *for each share option that is unexpired at the end of the relevant financial year—*
    - (i) *the market price at the end of that year, and*
    - (ii) *the highest and lowest market prices during that year, of each share that is subject to the option.*
- 10.—(1) *If, in the opinion of the directors of the company, disclosure in accordance with paragraphs 8 and 9 would result in a disclosure of excessive length then, (subject to sub-paragraphs (2) and (3))—*
- (a) *information disclosed for a person under paragraph 9(a) need not differentiate between share options having different terms and conditions;*
  - (b) *for the purposes of disclosure in respect of a person under paragraph 9(c)(i) and (ii) and (g), share options may be aggregated and (instead of disclosing prices for each share option) disclosure may be made of weighted average prices of aggregations of share options;*
  - (c) *for the purposes of disclosure in respect of a person under paragraph 9(c)(iii) and (iv), share options may be aggregated and (instead of disclosing dates for each share option) disclosure may be made of ranges of dates for aggregation of share options.*
- (2) *Sub-paragraph (1)(b) and (c) does not permit the aggregation of—*
- (a) *share options in respect of shares whose market price at the end of the relevant financial year is below the option exercise price, with*
  - (b) *share options in respect of shares whose market price at the end of the relevant financial year is equal to, or exceeds, the option exercise price.*
- (3) *Sub-paragraph (1) does not apply (and accordingly, full disclosure must be made in accordance with paragraphs 8 and 9) in respect of share options that during the relevant financial year have been awarded or exercised or had their terms and conditions varied.*

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.</b>	<p><i>Long term incentive schemes</i></p> <p>11.—(1) <i>The directors’ remuneration report must contain, in respect of each person who has served as a director of the company at any time in the relevant financial year, the information specified in paragraph 12.</i></p> <p>(2) <i>Sub-paragraph (1) does not require the report to contain share option details that are contained in the report in compliance with paragraphs 8 to 10.</i></p> <p>(3) <i>The information specified in paragraph 12 must be presented in tabular form in the report.</i></p> <p>(4) <i>For the purposes of paragraph 12—</i></p> <p>(a) <i>“scheme interest”, in relation to a person, means an interest under a long term incentive scheme that is an interest in respect of which assets may become receivable under the scheme in respect of qualifying services of the person; and</i></p> <p>(b) <i>such an interest “vests” at the earliest time when—</i></p> <p>(i) <i>it has been ascertained that the qualifying conditions have been fulfilled, and</i></p> <p>(ii) <i>the nature and quantity of the assets receivable under the scheme in respect of the interest have been ascertained.</i></p> <p>(5) <i>In this Schedule “long term incentive scheme” means any agreement or arrangement under which money or other assets may become receivable by a person and which includes one or more qualifying conditions with respect to service or performance that cannot be fulfilled within a single financial year, and for this purpose the following must be disregarded, namely—</i></p> <p>(a) <i>any bonus the amount of which falls to be determined by reference to service or performance within a single financial year;</i></p> <p>(b) <i>compensation in respect of loss of office, payments for breach of contract and other termination payments; and</i></p> <p>(c) <i>retirement benefits.</i></p> <p>12.—(1) <i>The information required by sub-paragraph (1) of paragraph 11 in respect of such a person as is mentioned in that sub-paragraph is—</i></p> <p>(a) <i>details of the scheme interests that the person has at the beginning of the relevant financial year or if later on the date of the appointment of the person as a director of the company;</i></p> <p>(b) <i>details of the scheme interests awarded to the person during the relevant financial year;</i></p> <p>(c) <i>details of the scheme interests that the person has at the end of the relevant financial year or if earlier on the cessation of the person’s appointment as a director of the company;</i></p>



**The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008**  
cont.

- (d) for each scheme interest within paragraphs (a) to (c)—
  - (i) the end of the period over which the qualifying conditions for that interest have to be fulfilled (or if there are different periods for different conditions, the end of whichever of those periods ends last); and
  - (ii) a description of any variation made in the terms and conditions of the scheme interests during the relevant financial year; and
- (e) for each scheme interest that has vested in the relevant financial year—
  - (i) the relevant details (see sub-paragraph (3)) of any shares,
  - (ii) the amount of any money, and
  - (iii) the value of any other assets,

that have become receivable in respect of the interest.
- (2) The details that sub-paragraph (1)(b) requires of a scheme interest awarded during the relevant financial year include, if shares may become receivable in respect of the interest, the following—
  - (a) the number of those shares;
  - (b) the market price of each of those shares when the scheme interest was awarded; and
  - (c) details of qualifying conditions that are conditions with respect to performance.
- (3) In sub-paragraph (1)(e)(i) “the relevant details”, in relation to any shares that have become receivable in respect of a scheme interest, means—
  - (a) the number of those shares;
  - (b) the date on which the scheme interest was awarded;
  - (c) the market price of each of those shares when the scheme interest was awarded;
  - (d) the market price of each of those shares when the scheme interest vested; and
  - (e) details of qualifying conditions that were conditions with respect to performance.

**Pensions**

- 13.—(1) The directors’ remuneration report must, for each person who has served as a director of the company at any time during the relevant financial year, contain the information in respect of pensions that is specified in sub-paragraphs (2) and (3).
- (2) Where the person has rights under a pension scheme that is a defined benefit scheme in relation to the person and any of those rights are rights to which he has become entitled in respect of qualifying services of his—
- (a) details—
    - (i) of any changes during the relevant financial year in the

## Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.</b>	<p><i>person's accrued benefits under the scheme, and</i></p> <p>(ii) <i>of the person's accrued benefits under the scheme as at the end of that year;</i></p> <p>(b) <i>the transfer value, calculated in a manner consistent with "Retirement Benefit Schemes – Transfer Values (GN 11)" published by the Institute of Actuaries and the Faculty of Actuaries and dated 6th April 2001, of the person's accrued benefits under the scheme at the end of the relevant financial year;</i></p> <p>(c) <i>the transfer value of the person's accrued benefits under the scheme that in compliance with paragraph (b) was contained in the directors' remuneration report for the previous financial year or, if there was no such report or no such value was contained in that report, the transfer value, calculated in such a manner as is mentioned in paragraph (b), of the person's accrued benefits under the scheme at the beginning of the relevant financial year;</i></p> <p>(d) <i>the amount obtained by subtracting—</i></p> <p>(i) <i>the transfer value of the person's accrued benefits under the scheme that is required to be contained in the report by paragraph (c), from</i></p> <p>(ii) <i>the transfer value of those benefits that is required to be contained in the report by paragraph (b), and then subtracting from the result of that calculation the amount of any contributions made to the scheme by the person in the relevant financial year.</i></p> <p>(3) <i>Where—</i></p> <p>(a) <i>the person has rights under a pension scheme that is a money purchase scheme in relation to the person, and</i></p> <p>(b) <i>any of those rights are rights to which he has become entitled in respect of qualifying services of his, details of any contribution to the scheme in respect of the person that is paid or payable by the company for the relevant financial year or paid by the company in that year for another financial year.</i></p> <p><b>Excess retirement benefits of directors and past directors</b></p> <p>14.—(1) <i>Subject to sub-paragraph (3), the directors' remuneration report must show in respect of each person who has served as a director of the company—</i></p> <p>(a) <i>at any time during the relevant financial year, or</i></p> <p>(b) <i>at any time before the beginning of that year,</i></p> <p><i>the amount of so much of retirement benefits paid to or receivable by the person under pension schemes as is in excess of the retirement benefits to which he was entitled on the date on which the benefits first became payable or 31st March 1997, whichever is the later.</i></p>

**The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.**

- (2) *In subsection (1) “retirement benefits” means retirement benefits to which the person became entitled in respect of qualifying services of his.*
- (3) *Amounts paid or receivable under a pension scheme need not be included in an amount required to be shown under sub-paragraph if—*
- (a) *the funding of the scheme was such that the amounts were or, as the case may be, could have been paid without recourse to additional contributions; and*
- (b) *amounts were paid to or receivable by all pensioner members of the scheme on the same basis; and in this sub-paragraph “pensioner member”, in relation to a pension scheme, means any person who is entitled to the present payment of retirement benefits under the scheme.*
- (4) *In this paragraph—*
- (a) *references to retirement benefits include benefits otherwise than in cash; and*
- (b) *in relation to so much of retirement benefits as consists of a benefit otherwise than in cash, references to their amount are to the estimated money value of the benefit, and the nature of any such benefit must also be shown in the report.*

**Compensation for past directors**

15. *The directors’ remuneration report must contain details of any significant award made in the relevant financial year to any person who was not a director of the company at the time the award was made but had previously been a director of the company, including (in particular) compensation in respect of loss of office and pensions but excluding any sums which have already been shown in the report under paragraph 7(1)(d).*

**Sums paid to third parties in respect of a director’s services**

- 16.—(1) *The directors’ remuneration report must show, in respect of each person who served as a director of the company at any time during the relevant financial year, the aggregate amount of any consideration paid to or receivable by third parties for making available the services of the person—*
- (a) *as a director of the company, or*
- (b) *while director of the company—*
- (i) *as director of any of its subsidiary undertakings, or*
- (ii) *as director of any other undertaking of which he was (while director of the company) a director by virtue of the company’s nomination (direct or indirect), or*
- (iii) *otherwise in connection with the management of the affairs of the company or any such other undertaking.*
- (2) *The reference to consideration includes benefits otherwise than in cash; and in relation to such consideration the reference to its amount is to the estimated money value of the benefit.*

# Appendix 4: United Kingdom Regulation cont.

Regulation	Section in Regulation
<b>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 cont.</b>	<p><i>The nature of any such consideration must be shown in the report.</i></p> <p>(3) <i>The reference to third parties is to persons other than—</i></p> <p>(a) <i>the person himself or a person connected with him or a body corporate controlled by him, and</i></p> <p>(b) <i>the company or any such other undertaking as is mentioned in sub-paragraph (1)(b)(ii).</i></p>

# Appendix 5: International Standard on Auditing (ISA 720)

This appendix compares the adoption of the International Standard on Auditing (ISA 720) of New Zealand and the UK. Please note, the Australian standard (ISA 720) is very similar to the New Zealand equivalent and so is not listed in this appendix. As indicated in Section 2.3 of this working paper, a fee is required for access to the Canadian equivalent, which the Institute did not pay, and so the CAS 720 is also not listed in this appendix. Countries that adopt international standards have the autonomy to make limited modifications, subject to the IAASB’s guidance document: *Modifications to International Standards of the International Auditing and Assurance Standards Board (IAASB)*. See Appendix 6. For example, the grey text boxes in Appendix 5 (ii) ISA (UK) 720 indicate modifications that the UK has added to reflect more recent changes in legislation and best practice.

**(i) New Zealand**  
(XRB, 2015)



**XRB**  
EXTERNAL REPORTING BOARD  
Te Kaitiaki Arahi Pirangata Mihinaho

**NZ AUDITING  
AND ASSURANCE  
STANDARDS BOARD**

**INTERNATIONAL STANDARD ON AUDITING (NEW ZEALAND) 720 (REVISED)**

**The Auditor’s Responsibilities Relating to Other Information (ISA (NZ) 720 (Revised))**

This Standard was issued on 1 October 2015 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board pursuant to section 12(b) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 28 October 2015.

An auditor that is required to apply this Standard is required to apply it for audits of financial statements for periods ending on or after 15 December 2016. However, early adoption is permitted.

In finalising this Standard, the New Zealand Auditing and Assurance Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued as a result of International Standard on Auditing 720 being revised.

This Standard, when applied, supersedes International Standard on Auditing (New Zealand) 720 *The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements*.

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# Appendix 5: International Standard on Auditing (ISA 720) cont.

- (b) Securities offering documents, including prospectuses.
- 8. The auditor’s responsibilities under this ISA (NZ) do not constitute an assurance engagement on other information or impose an obligation on the auditor to obtain assurance about the other information.
- 9. Law or regulation may impose additional obligations on the auditor in relation to other information that are beyond the scope of this ISA (NZ).

**Effective Date**

- 10. This ISA (NZ) is effective for audits of financial statements for periods ending on or after 15 December 2016.

NZ10.1 This ISA (NZ) supersedes ISA (NZ) 720, *The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements*.

**Objectives**

- 11. The objectives of the auditor, having read the other information, are:
  - (a) To consider whether there is a material inconsistency between the other information and the financial statements;
  - (b) To consider whether there is a material inconsistency between the other information and the auditor’s knowledge obtained in the audit;
  - (c) To respond appropriately when the auditor identifies that such material inconsistencies appear to exist, or when the auditor otherwise becomes aware that other information appears to be materially misstated; and
  - (d) To report in accordance with this ISA (NZ).

**Definitions**

- 12. For purposes of the ISAs (NZ), the following terms have the meanings attributed below:
  - (a) Annual report – A document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the entity’s financial results and financial position as set out in the financial statements. An annual report contains or accompanies the financial statements and the auditor’s report thereon and usually includes information about the entity’s developments, its future outlook and risks and uncertainties, a statement by the entity’s governing body, and reports covering governance matters. (Ref: Para. A1–A5)
  - (b) Misstatement of the other information – A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information). (Ref: Para. A6–A7)

- (c) Other information – Financial or non-financial information (other than financial statements and the auditor’s report thereon) included in an entity’s annual report. (Ref: Para. A8–A10)

## Requirements

### Obtaining the Other Information

13. [Amended by the NZAuASB].
- NZ13.1 The auditor shall: (Ref: Para. A11–A22)
- (a) Determine, through discussion with management, which document(s) comprises the annual report, and the entity’s planned manner and timing of the issuance of such document(s);
  - (b) Make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor’s report, the final version of the document(s) comprising the annual report; and
  - (c) When some or all of the document(s) determined in (a) will not be available until after the date of the auditor’s report, request those charged with governance to provide a written representation that the final version of the document(s) will be provided to the auditor when available, and prior to its issuance by the entity, such that the auditor can complete the procedures required by this ISA (NZ). (Ref: Para. A22)

### Reading and Considering the Other Information

14. The auditor shall read the other information and, in doing so shall: (Ref: Para. A23–A24)
- (a) Consider whether there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, the auditor shall, to evaluate their consistency, compare selected amounts or other items in the other information (that are intended to be the same as, to summarise, or to provide greater detail about, the amounts or other items in the financial statements) with such amounts or other items in the financial statements; and (Ref: Para. A25–A29)
  - (b) Consider whether there is a material inconsistency between the other information and the auditor’s knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit. (Ref: Para. A30–A36)
15. While reading the other information in accordance with paragraph 14, the auditor shall remain alert for indications that the other information not related to the financial statements or the auditor’s knowledge obtained in the audit appears to be materially misstated. (Ref: Para. A24, A37–A38)

### Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated

16. If the auditor identifies that a material inconsistency appears to exist (or becomes aware that the other information appears to be materially misstated), the auditor shall discuss the

# Appendix 5: International Standard on Auditing (ISA 720) cont.

## Application and Other Explanatory Material

### Definitions

#### Annual Report (Ref: Para. 12(a))

- A1. Law, regulation or custom may define the content of an annual report, and the name by which it is to be referred, for entities in a particular jurisdiction; however, the content and the name may vary within a jurisdiction and from one jurisdiction to another.
- A2. An annual report is typically prepared on an annual basis. However, when the financial statements being audited are prepared for a period less than or more than a year, an annual report may also be prepared that covers the same period as the financial statements.
- A3. In some cases, an entity’s annual report may be a single document and referred to by the title “annual report” or by some other title. In other cases, law, regulation or custom may require the entity to report to owners (or similar stakeholders) information on the entity’s operations and the entity’s financial results and financial position as set out in the financial statements (i.e., an annual report) by way of a single document, or by way of two or more separate documents that in combination serve the same purpose. For example, depending on law, regulation or custom in a particular jurisdiction, one or more of the following documents may form part of the annual report:

<sup>4</sup> ISA (NZ) 230, *Audit Documentation*, paragraphs 8–11

- Management report, management commentary, or operating and financial review or similar reports by those charged with governance (for example, a directors’ report).
- Chairman’s statement.
- Corporate governance statement.
- Internal control and risk assessment reports.



(ii) **United Kingdom**  
(FRC UK, 2019b)

**Standard**

Audit and Assurance



November 2019

# INTERNATIONAL STANDARD ON AUDITING (UK) 720

(REVISED November 2019) :

The auditor's responsibilities relating to  
other information

## Appendix 5: International Standard on Auditing (ISA 720) cont.

### Objectives

11. The objectives of the auditor, having read the other information, are:
- (a) To consider whether there is a material inconsistency between the other information and the financial statements;
  - (b) To consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit;
  - (c) To respond appropriately when the auditor identifies that such material inconsistencies appear to exist, or when the auditor otherwise becomes aware that other information appears to be materially misstated;
- (c)-1 Where required by law or regulation, to form an opinion on whether the information given in the other information is consistent with the financial statements and the auditor's knowledge obtained in the audit; and
- (d) To report in accordance with this ISA (UK).

### Definitions

12. For purposes of the ISAs (UK), the following terms have the meanings attributed below:
- (a) Annual report – A document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements. An annual report contains or accompanies the financial statements and the auditor's report thereon and usually includes information about the entity's developments, its future outlook and risks and uncertainties, a statement by the entity's governing body, and reports covering governance matters. (Ref: Para. A1–A5)

In the UK, an annual report includes at least:

- (i) The statutory other information; and
- (ii) Any other documents that are incorporated by cross-reference in, or distributed to shareholders with, statutory other information either

voluntarily or pursuant to law or regulation or the requirements of a stock exchange listing.

- (b) Misstatement of the other information – A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information). (Ref: Para. A6–A7-2)

In the UK, a misstatement of the other information also exists when the statutory other information has not been prepared in accordance with the legal and regulatory requirements applicable to the statutory other information.

- (c) Other information – Financial or non-financial information (other than financial statements and the auditor’s report thereon) included in an entity’s annual report. (Ref: Para. A8–A10)
- (d) Statutory other information – Those documents or reports that are required to be prepared and issued by the entity (including any reports or documents that are incorporated by cross reference) in relation to which the auditor is required to report publicly in accordance with law or regulation. (Ref: Para. A10-1–A10-3)

## Requirements

### Obtaining an Understanding of the Entity and its Environment relating to Statutory Other Information

- 12-1. For entities that are required to prepare statutory other information, as part of obtaining an understanding of the entity and its environment in accordance with ISA (UK) 315 (Revised June 2016),<sup>2b</sup> the auditor shall obtain an understanding of:
- (a) The legal and regulatory requirements applicable to the statutory other information; and
  - (b) How the entity is complying with those legal and regulatory requirements.

### Obtaining the Other Information

13. The auditor shall: (Ref: Para. A11–A22-1)
- (a) Determine, through discussion with management, which document(s) comprises the annual report, and the entity’s planned manner and timing of the issuance of such document(s);
  - (b) Make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor’s report, the final version of the document(s) comprising the annual report; and
  - (c) When some or all of the document(s) determined in (a) will not be available until after the date of the auditor’s report, request management to provide a written representation that the final version of the document(s) will be provided to the

<sup>2b</sup> ISA (UK) 315 (Revised June 2016), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*, paragraph 11.

# Appendix 5: International Standard on Auditing (ISA 720) cont.

ISA (UK) 720 – Revised November 2019

auditor when available, and prior to its issuance by the entity, such that the auditor can complete the procedures required by this ISA (UK). (Ref: Para. A22)

### Reading and Considering the Other Information

- 14. The auditor shall read the other information and, in doing so shall: (Ref: Para. A23–A24)
  - (a) Consider whether there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, the auditor shall, to evaluate their consistency, compare selected amounts or other items in the other information (that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements) with such amounts or other items in the financial statements; and (Ref: Para. A25–A29)
  - (b) Consider whether there is a material inconsistency between the other information and the auditor’s knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit. (Ref: Para. A30–A36)
- 14-1. For entities that are required to prepare statutory other information, the auditor shall read the statutory other information and, in doing so shall consider, based on the work undertaken in the course of the audit, whether the statutory other information appears to be materially misstated in the context of the auditor’s understanding of the legal and regulatory requirements applicable to the statutory other information. (Ref: Para. A36-1–A36-4)
- 14-2. For entities that are required to prepare statutory other information, as the basis for the consideration required by paragraphs 14(a), 14(b) and 14-1, the auditor shall perform such procedures as are necessary in the auditor’s professional judgment to identify:
  - (a) Any material inconsistencies between the other information and the financial statements;
  - (b) Any material inconsistencies between the other information and the auditor’s knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit; and
  - (c) Whether the statutory other information appears to be materially misstated in the context of the auditor’s understanding of the legal and regulatory requirements applicable to the statutory other information.
- 15. While reading the other information in accordance with paragraph 14, the auditor shall remain alert for indications that the other information not related to the financial statements or the auditor’s knowledge obtained in the audit appears to be materially misstated. (Ref: Para. A24, A37–A38)

## Application and Other Explanatory Material

### Definitions

A10. eXtensible Business Reporting Language (XBRL) tags do not represent other information as defined in this ISA (UK).

#### *Statutory Other Information* (Ref: Para. 12(d))

A10-1. In the UK, the statutory other information for companies includes, where required to be prepared:

- (i) The directors' report;
- (ii) The strategic report;
- (iii) The separate corporate governance statement.<sup>5a</sup>

A10-2. Auditors of other entities (e.g., charities or pension funds) may also be required to report on statutory other information in accordance with law or regulation.

A10-3. Information given in the statutory other information includes information that is included by way of cross reference to other information presented separately from the statutory other information. For example, a UK entity may decide to present a voluntary Operating and Financial Review (OFR) which includes some or all of the matters required for the business performance review section of the Strategic Report or the Directors' Report. Rather than duplicate the information, the entity may cross refer from the Strategic Report or the Directors' Report to the relevant information provided in the OFR.

A40-1. The auditor assesses whether any inconsistency or misstatement of the other information is material, taking into account both the size and the nature of the inconsistency or misstatement. For example, regulation requires certain entities to disclose political donations if the aggregate donations are in excess of a quantitative threshold. This threshold may be below the auditor's materiality for the financial statements as a whole or performance materiality. However, the auditor also considers qualitative factors in determining whether a misstatement in the amount of political donations is material or not.

Entities That Are Required to Prepare Statutory Other Information (Ref: Para. 22-1)

Strategic Report and Directors' Report

A53-4. In the UK, under Section 496 of the Companies Act 2006,<sup>15d</sup> the auditor is required to state in the auditor's report:

- (a) Whether, in the auditor's opinion, based on the work undertaken in the course of the audit:
  - (i) The information given in the strategic report (if any) and the directors' report for the financial year for which the accounts are prepared is consistent with those accounts; and
  - (ii) Any such strategic report and the directors' report have been prepared in accordance with applicable legal requirements; and
- (b) Whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, the auditor has identified material misstatements in the strategic report (if any) and the directors' report; and

If the auditor identifies any material misstatements in the strategic or directors' report, the auditor is required to give an indication of the nature of each of the misstatements.

Separate Corporate Governance Statement

A53-5. UK legislation<sup>15e</sup> requires certain entities to include a Corporate Governance Statement, either:

- As a specific section of the directors' report; or
- In a separate report which is either:
  - Published together with, and in the same manner as, its annual report; or
  - By means of a cross reference in its directors' report to where such document is publicly available on the company's website.

A53-6. For entities that choose to include a Corporate Governance Statement as a separate report, the auditor is required to state in the auditor's report:

- (a) Whether, in the auditor's opinion, based on the work undertaken in the course of the audit, the information given in the statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules Sourcebook made by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures):
  - (i) Is consistent with those accounts; and
  - (ii) Has been prepared in accordance with applicable legal requirements;
- (b) Whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, the auditor has identified material

<sup>15d</sup> Section 496 of the Companies Act 2006.

<sup>15e</sup> In the UK, Section 497A of the Companies Act 2006. Similar requirements apply to other types of entities e.g. building societies.

# Appendix 6: IAASB Modifications to International Standards

(IAASB, 2006)

**International  
Auditing  
and Assurance  
Standards Board**

**Policy Position**  
July 2006

*Modifications to International Standards of the  
International Auditing and Assurance Standards  
Board (IAASB)*

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## **A Guide for National Standard Setters that Adopt IAASB’s International Standards but Find It Necessary to Make Limited Modifications**



**International Federation  
of Accountants**

8. For the purposes of conformity under this policy, the NSS shall limit additions to an IS to the following:

- (a) National legal and regulatory requirements.
- (b) Other requirements or guidance that are not inconsistent with the current requirements or guidance in the IS.

NSSs are encouraged to communicate additions falling within paragraph 8(b) to IAASB for future consideration.

9. For the purposes of conformity under this policy, the NSS shall limit deletions from, or other amendments to, an IS to the following:

- (a) The elimination of options (alternatives) provided for in the IS.
- (b) Requirements or guidance, the application of which law or regulation does not permit, or which require amendment to be consistent with law or regulation.
- (c) Requirements or guidance, where the IS recognizes that different practices may apply in different jurisdictions and the NSS is in such a jurisdiction.

In the case of paragraph 9(b)-(c), however, the objective of any deleted requirement must still be met. Consequently, it will be necessary for the NSS to replace the deleted requirement with an appropriate alternative that, in the opinion of the NSS, meets the test of the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services* for those exceptional circumstances when a professional accountant may judge it necessary to depart from a basic principle or essential procedure of an IS to achieve more effectively the objective of the engagement.<sup>2</sup>

10. Modifications to ISs shall be subject to a satisfactory due process established by the NSS.<sup>3</sup> Furthermore, the NS shall highlight or explain modifications to the ISs. In addition, NSSs shall communicate modifications falling within paragraph 9(b), which are expected to be rare, to IAASB.

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<sup>2</sup> This requirement of the Preface is under review.

<sup>3</sup> A satisfactory due process is an established and transparent process involving deliberation and consideration of the views of a wide range of stakeholders.



Appendix 7: Excerpts of international annual reports showcasing different ways of reporting on the relationship between directors and auditors

(i) Australian example: Westpac Group  
(Westpac Group, 2019)



## Directors' report

### 11. Auditor

#### a) Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is below:



#### Auditor's Independence Declaration

As lead auditor for the audit of Westpac Banking Corporation for the year-ended 30 September 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Westpac Banking Corporation and the entities it controlled during the period.

Lona Mathis  
Partner  
PricewaterhouseCoopers

Sydney  
4 November 2019

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Liability limited by a scheme approved under Professional Standards Legislation.

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2

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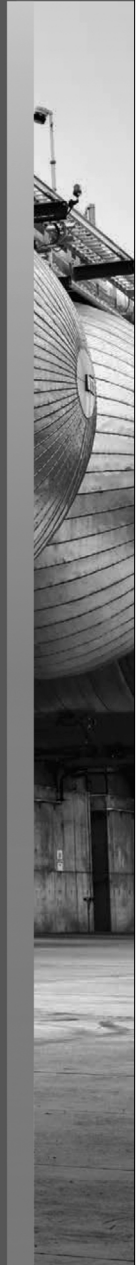
4

(ii) Canadian example: Suncor Energy Inc.  
(Suncor, 2019)



# ANNUAL REPORT 2018

Suncor Energy Inc.



## MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Suncor Energy Inc. is responsible for the presentation and preparation of the accompanying consolidated financial statements of Suncor Energy Inc. and all related financial information contained in the Annual Report, including Management's Discussion and Analysis.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to publicly accountable enterprises, which is within the framework of International Financial Reporting Standards as issued by the International Accounting Standards Board incorporated into the Canadian Institute of Chartered Professional Accountants Handbook Part 1. They include certain amounts that are based on estimates and judgments.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances. In discharging its responsibilities for the integrity and reliability of the financial statements, management maintains and relies upon a system of internal controls designed to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. These controls include quality standards in hiring and training of employees, formalized policies and procedures, a corporate code of conduct and associated compliance program designed to establish and monitor conflicts of interest, the integrity of accounting records and financial information, among others, and employee and management accountability for performance within appropriate and well-defined areas of responsibility.

The system of internal controls is further supported by the professional staff of an internal audit function who conduct periodic audits of the company's financial reporting.

The Audit Committee of the Board of Directors, currently composed of four independent directors, reviews the effectiveness of the company's financial reporting systems, management information systems, internal control systems and internal auditors. It recommends to the Board of Directors the external auditor to be appointed by the shareholders at each annual meeting and reviews the independence and effectiveness of their work. In addition, it reviews with management and the external auditor any significant financial reporting issues, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material for financial reporting purposes. The Audit Committee appoints the independent reserve consultants. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release, as well as annually to review Suncor's annual financial statements and Management's Discussion and Analysis, Annual Information Form/Form 40-F, and annual reserves estimates, and recommend their approval to the Board of Directors. The internal auditors and the external auditor, PricewaterhouseCoopers LLP, have unrestricted access to the company, the Audit Committee and the Board of Directors.



**Steven W. Williams**  
Chief Executive Officer

February 28, 2019



**Alister Cowan**  
Executive Vice President and Chief Financial Officer

(iii) United Kingdom example: Aviva

(Aviva, 2019)



Aviva plc

Annual report  
and accounts  
2018

Directors' and Corporate Governance report > [Continued](#)

## Other statutory information

The directors submit their annual report and accounts for Aviva plc, together with the consolidated financial statements of the Aviva group of companies, for the year ended 31 December 2018.

The Directors' report required under the Companies Act 2006 comprises this Directors' and Corporate Governance report, the Directors' Remuneration Report and the following disclosures in the Strategic report:

- Corporate responsibility – Disclosure of our greenhouse gas emissions
- Our people – Inclusive diversity – details of our employment policies
- Our people – Engaging with our people – details of employee engagement
- Our strategy – Delivering on a clear plan of action
- Important events since the financial year end

Details of significant post balance sheet events that have occurred after 31 December 2018 are disclosed in note 65.

The management report required under Disclosure and Transparency Rule 4.1.5R comprises the Strategic report (which includes the principal risks relating to our business) and details of material acquisitions and disposals made by the Group during the year which are included in notes 3 and 4. This Directors' and Corporate Governance report fulfils the requirements of the corporate governance statement under Disclosure and Transparency Rule 7.2.1.

### Our policy on hedging

The hedging policy is disclosed in note 60.

### Related party transactions

Related party transactions are disclosed in note 62 which is incorporated into this report by reference.

### Dividends

Dividends for ordinary shareholders of Aviva plc are as follows:

- Paid interim dividend of 9.25 pence per ordinary share (2017: 8.4 pence)
- Proposed final dividend of 20.75 pence per ordinary share (2017: 19.00 pence)
- Total ordinary dividend of 30.00 pence per ordinary share (2017: 27.40 pence)
- Total cost of ordinary dividends paid in 2018 was £1,128 million (2017: £983 million)

Subject to shareholder approval at the 2019 AGM, the final dividend for 2018 will become due and payable on 30 May 2019 to all holders of ordinary shares on the Register of Members at the close of business on 12 April 2019 (payment date approximately four business days later for holders of the Company's American Depositary Shares (ADS)). In compliance with the rules issued by the Prudential Regulation Authority in relation to the implementation of the Solvency II regime, the dividend is required to remain cancellable at any point prior to becoming due and payable and to be cancelled if, prior to payment, the Group ceases to hold capital resources equal to or in excess of its Solvency Capital Requirement,

or if that would be the case if the dividend was paid. Details of any dividend waivers are disclosed in note 34.

### Dividend policy

For the full year dividend for 2018 the Board of Directors has proposed a 9% increase to 30.0 pence per share. We are moving to a progressive dividend policy. Moderating the rate of dividend per share growth will enhance our flexibility to repay debt and invest in business improvement.

Under UK company law, we may only pay dividends if the Company has 'distributable profits' available. 'Distributable profits' are accumulated, realised profits/(losses) not previously distributed or capitalised, less accumulated, unrealised losses not previously written off based on IFRS. Even if distributable profits are available, we pay dividends only if the amount of our net assets is not less than the aggregate of our called-up share capital and undistributable reserves and the payment of the dividend does not reduce the amount of our net assets to less than that aggregate.

As a holding company, the Company is dependent upon dividends and interest from our subsidiaries to pay cash dividends. Many of the Company's subsidiaries are subject to insurance regulations that restrict the amount of dividends that they can pay to us.

Historically, the Company has declared an interim and a final dividend for each year (with the final dividend being paid in the year following the year to which it relates). Subject to the restrictions set out above, the payment of interim dividends on ordinary shares is made at the discretion of the Board, while payment of any final dividend requires the approval of the Company's shareholders at a general meeting. Dividends on preference shares are made at the discretion of the Board.

The Company pays cash dividends in pounds sterling and euros, although the articles of association permit payment of dividends on ordinary shares in any currency and in forms other than cash, such as ordinary shares.

Interim dividends have previously been paid in November of each year. Following feedback from shareholders, to bring Aviva's practice in line with its peers and to reduce the gap between the interim results announcement and dividend payment, from 2018 interim dividends are paid in September, subject to declaration by the Board. A final dividend is typically proposed by the Company's Board after the end of the relevant year and generally paid in May. The following table shows certain information regarding the dividends that we paid on ordinary shares.

Year	Interim dividend per share (pence)	Interim dividend per share (cents) <sup>1</sup>	Final dividend per share (pence)	Final dividend per share (cents) <sup>1</sup>
2013	5.60	N/A	9.40	N/A
2014	5.85	N/A	12.25	N/A
2015	6.75	N/A	14.05	N/A
2016	7.42	N/A	15.88	18.71
2017	8.40	9.50	19.00	21.77
2018	9.25	10.25	xx.xx	–

<sup>1</sup> Euro dividend rate per share

### Distributable reserves

Under UK company law, dividends can only be paid if a company has distributable reserves sufficient to cover the dividend. At 31 December 2018, Aviva plc itself had distributable reserves of greater than £4.1 billion. In UK Life, our largest operating subsidiary, distributable reserves, which could be paid to Aviva plc via its intermediate holding company, are based on the updated Companies Act 2006 (Distributions of Insurance Companies) Regulations 2016 which uses an adjusted Solvency II Own Funds measure in determining profits available for distribution. While the

### (iii) United Kingdom example: Aviva cont.

Strategic report

Governance

IFRS financial statements

Other information

Directors' and Corporate Governance report > [Continued](#)

At no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than an indemnity provision between each director and the Company and employment contracts between each executive director and a Group company. The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself, its directors and others.

The Company has also executed deeds of indemnity for the benefit of each director of the Company, and each person who was a director of the Company during the year, in respect of liabilities that may attach to them in their capacity as directors of the Company or of associated companies. The Articles allow such indemnities to be granted. These indemnities were granted at different times according to the law in place at the time and where relevant are qualifying third-party indemnity provisions as defined by section 234 of the Companies Act 2006. These indemnities were in force throughout the year and are currently in force. Details of directors' remuneration, service contracts, employment contracts and interests in the shares of the Company are set out in the Directors' Remuneration Report.

The Company has also granted indemnities by way of a deed poll to the directors of the Group's subsidiary companies, including former directors who retired during the year and directors appointed during the year, which is a 'qualifying third party indemnity' for the purposes of the applicable sections 309A to 309C of the Companies Act 1985. The deed poll indemnity was in force throughout the year and remains in force.

#### Financial instruments

Group companies use financial instruments to manage certain types of risks, including those relating to credit, foreign currency exchange, cash flow, liquidity, interest rates, and equity and property prices. Details of the objectives and management of these instruments are contained in the risk and capital management section and in note 59 on risk management.

#### Political donations

Aviva did not make any political donations during 2018.

#### Disclosure of information to the auditor

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's External Auditor, PricewaterhouseCoopers (PwC), is unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that PwC is aware of that information.

#### Annual general meeting

The 2019 AGM of the Company will be held on Thursday 23 May 2019 at the Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE at 11am. The Notice of AGM convening the meeting describes the business to be conducted thereat. Any proxy voting instruction, whether provided online, by post or via CREST, must be received by our Registrar, Computershare Investor Services PLC, by no later than 11am on Tuesday 21 May 2019. Further details can be found in the shareholder information section of the Notice of AGM.

#### Articles of association

Unless expressly stated to the contrary in the Articles, the Company's Articles may only be amended by special resolution of the shareholders. The Company's current Articles were adopted on 10 May 2018.

#### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out

in the strategic report. The performance review includes the Risk and risk management section. In addition, the financial statements sections include notes on the Group's borrowings (note 52); its contingent liabilities and other risk factors (note 55); its capital management (note 57); management of its risks including market, credit and liquidity risk (note 59); and derivative financial instruments (note 60).

The Group has considerable financial resources together with a diversified business model, with a spread of businesses and geographical reach. The directors believe the Group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

#### Longer-term viability statement

It is fundamental to the Group's longer-term strategy that the directors manage and monitor risk, taking into account all key risks the Group faces, including longer-term insurance risks, so that it can continue to meet its obligations to policyholders. The Group is also subject to extensive regulation and supervision including Solvency II from 1 January 2016, as a result of being designated a Global Systemically Important Insurer by the Financial Stability Board.

Against this background, the directors have assessed the prospects of the Group in accordance with provision C.2.2 of the 2016 Code, with reference to the Group's current position and prospects, its strategy, risk appetite, and the potential impact of the principal risks and how these are managed (as detailed in the 'Risk and risk management' section of the Strategic report as well as note 59 of the IFRS financial statements).

The assessment of the Group's prospects by the directors covers the three years to 2021 and is underpinned by management's 2019-2021 business plan which includes projections of the Group's capital, liquidity and solvency.

The Group's stress and scenario testing considers the Group's capacity to respond to a series of relevant financial, insurance (e.g., catastrophe) or operational shocks should future circumstances or events differ from these current assumptions. The Group addresses the impacts of contingent management actions designed to maintain or restore key capital, liquidity and solvency metrics to within the Group's approved risk appetites over the planning period.

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year assessment period.

#### Fair, balanced and understandable

To support the directors' statement below that the annual report and accounts, taken as a whole, is fair, balanced and understandable, the Board considered the process followed to draft the annual report and accounts:

- Each section of the annual report and accounts is prepared by a member of management with appropriate knowledge, seniority and experience. Each preparer receives guidance on the requirement for content included in the annual report and accounts to be fair, balanced and understandable
- The overall co-ordination of the production of the Annual report and accounts is overseen by the Chief Accounting Officer to ensure consistency across the document
- An extensive verification process is undertaken to ensure factual accuracy
- Comprehensive reviews of drafts of the annual report and accounts are undertaken by members of the Group Executive and

## Appendix 8: Excerpts of New Zealand annual reports showcasing different ways of reporting by directors, by the Chair alone or by the Chair with the CEO

- (i) New Zealand example of a joint CEO and Chair's report: EBOS Group Limited  
(EBOS, 2019)





# CEO & Chairman's Report



CEO John Cullity and Chairman Mark Waller

(i) New Zealand example of a joint CEO and Chair's report: EBOS Group Limited cont.

<b>EBOS Group 2019 Annual Report</b>		<b>09</b>
<p><b>EBOS delivered another year of increased momentum in 2019 as the Company positioned itself for the next wave of growth in 2020.</b></p> <p><b>The result reflects the Board and management's adherence to the core business strategy that has consistently delivered for shareholders over time by growing the business through carefully calculated investment decisions that drive both our Healthcare and Animal Care businesses in Australia and New Zealand.</b></p> <p><b>Business Highlights for the year</b></p> <p>EBOS reported solid growth in underlying earnings in what has been a strategically important year for the Group. Operating in highly competitive and regulated markets, the Group has withstood a range of challenges and changing market dynamics and still delivered a solid result for shareholders.</p> <p>Our Retail Pharmacy division was particularly active throughout 2019 as we moved to 100% ownership of the Terry White Group (TWG) and retained our wholesale contract with Blooms. The Chemist, one of Australia's largest independent pharmacy groups. We also signed the Chemist Warehouse Group (CWG) pharmaceutical contract, which commenced on 1 July 2019.</p> <p>The decision by CWG to select EBOS as its exclusive pharmaceutical distributor was a great endorsement of EBOS' Wholesale Pharmacy division and is a reflection of the Group's high level of expertise and excellent service standards. The partnership with CWG will see EBOS deliver pharmaceutical products to more than 450 Chemist Warehouse and My Chemist stores in Australia, generating approximately \$1 billion in additional revenue in the first year.</p> <p>Importantly, with the commencement of the CWG partnership, EBOS was focused on ensuring there would be no adverse impact on our existing loyal pharmacy and hospital customers.</p> <p>It is therefore pleasing to report that we have successfully commenced servicing the CWG stores while still maintaining the high standards we pride ourselves on for all our existing customers.</p> <p>This is in no small way a function of the dedicated teams who work hard each and every day for our customers and the communities we serve.</p> <p>The decision by CWG to select EBOS as its partner was also an endorsement of our broader capital investment strategy and reflects the efficiencies we have made over a number of years to our operations.</p> <p>In the last financial year we commenced operations in two new facilities in Brisbane and Sydney, together with a smaller distribution centre in Darwin. In New Zealand we opened a new facility in Christchurch servicing our Healthcare business, while in Auckland we opened a new Healthcare Logistics facility and neared completion of our new shared distribution and manufacturing facility. This new facility, which has a significant footprint of 10,000m<sup>2</sup>, will see the consolidation of six separate New Zealand locations, enabling more streamlined stock and delivery services to our customers. Furthermore, the new site will house our Red Seal manufacturing operations, as well as providing significant storage capacity for our growing Endeavour Consumer Health business.</p> <p>The year was also highlighted by several strategic acquisitions as we continue to build our Healthcare and Animal Care businesses. The total value of investments for the year was \$93.6 million and, in addition to acquiring the minority shares in TWG, also included three small-to-medium-sized bolt-on acquisitions.</p> <p>The first of these acquisitions was Warner &amp; Webster, a medical and surgical supplies wholesaler servicing Victoria and South Australia, providing further opportunity to grow our share of the medical consumable market for our Healthcare business. In our Animal Care business we acquired Therapon, a Victoria-based veterinary distribution business that will operate under our Lyppard vet wholesale business. Finally, our Endeavour Consumer Health business acquired Quinits, a leading natural head lice product range, which adds to our consumer health brands portfolio.</p> <p>The ongoing success of the EBOS business strategy to 'invest for growth' through disciplined capital management, and acquire businesses and brands that can deliver shareholder value, was part of the reasoning for the Group's equity capital raising in May 2019. The Group successfully raised NZ\$175 million in new capital, a clear indication that our strategy continues to resonate with a range of investors. The funds raised will provide us with enhanced financial capacity for further strategic acquisitions and organic growth opportunities so that we can continue the long-term strategic growth of the Group.</p> <p>As we have stated previously, we operate in highly competitive and regulated markets and it was therefore pleasing that the Australian Government recognised, at the conclusion of its recent review into the Community Service Obligation (CSO), the importance of the wholesale industry in providing Australians with equal access to medicines in accordance with the National Medicines Policy. However, if the wholesale industry is to maintain its service standards then it requires additional financial support through increased CSO funding and a sustainable wholesale margin. The financial stability of the industry is at a critical juncture, with wholesalers being significantly</p>		Business Overview
		Financials
		Corporate Governance
		Directors' Interests & Disclosures
Directory		

impacted by Pharmaceutical Benefits Scheme (PBS) reforms, and approximately 80% of distribution volumes now generating a margin of less than \$1 given there has been no effective increase in wholesaler remuneration for the past five years.

EBOS, together with other members of the National Pharmaceutical Services Association (NPSA), continues to actively engage with the federal government and federal minister for health with respect to successfully resolving these matters as part of negotiations for the 7th Community Pharmacy Agreement.

The Directors have announced a final dividend of NZ 37 cents per share, which takes full-year dividends to NZ 71.5 cents per share, an increase of 4.4% on the prior year. The full details relating to the dividend are included in the Financial Summary section of this Annual Report.

**The Future**

Throughout the last financial year EBOS Group has maintained its upward momentum, while at the same time positioning itself for future growth through investment in our distribution network, acquiring new businesses and brands, securing new customers and importantly, renewing and maintaining existing customer relationships.

Our shared success reflects the effort and commitment across EBOS and we are incredibly grateful to all our staff in New Zealand and Australia for their daily contribution to our business and the communities we serve.

The investments we have made in our people, and a strong and diverse business, ensure that we are well positioned for the future and have the capabilities that will enable continued support of better healthcare and animal care across the markets in which we operate.



**John Cullity**  
Chief Executive Officer



**Mark Waller**  
Chairman

**A message from Mark Waller**

After more than 30 years with the company I have made the decision to retire as Chairman of EBOS Group effective 15 October 2019.

I am immensely proud of the time I have spent with this company having joined EBOS in March 1984 and then becoming CEO in 1987 when it was a small player in the New Zealand healthcare industry with annual revenue of approximately NZ\$8 million. It would be fair to say we embarked on an ambitious growth strategy over the subsequent years and it is with a great deal of personal satisfaction that EBOS Group is now positioned as the largest trans-Tasman healthcare and animal care company.

I've enjoyed the challenge and opportunity tremendously and I feel it is now the right time to retire. Above anything else my greatest enjoyment has been gained through the people I have worked with over the many years and I wish the future Chairman and Board, Executive and Staff across New Zealand and Australia all the very best and I look forward to seeing the company continue to grow from strength to strength.

**Mark Waller**  
Chairman

*All figures in Australian dollars unless otherwise stated.*

(i) New Zealand example of a joint CEO and Chair's report: EBOS Group Limited cont.

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# Financial Report

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**Key**

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STRONGER TOGETHER

**Directors' Responsibility Statement**

The Directors of EBOS Group Limited are pleased to present to shareholders the financial statements for EBOS Group Limited and its controlled entities (together the 'Group') for the year to 30 June 2019.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 30 June 2019 and the results of their operations and cash flows for the year ended on that date.

The Directors consider the financial statements of the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The financial statements are signed on behalf of the Board by:



**Mark Waller**  
Chairman



**Elizabeth Coutts**  
Director

21 August 2019

(ii) New Zealand example of a 'Chair only' and 'CEO only' report: Fletcher Building Limited  
(Fletcher Building Limited, 2019)



# Chair's Report



Bruce Hassall, Chair.

Dear Shareholders

## **DELIVERING ON STRATEGY AND RETURN TO PROFITS**

Through the FY19 year, Fletcher Building delivered against all the key areas of its plans, despite challenges in Australia, and returned the Group to profitability with net earnings attributable to shareholders of \$164 million compared to a loss of \$190 million in the prior year. We also reinstated dividends and, through the \$1.3 billion divestment of the international businesses, ended the year with a strong balance sheet with net debt of \$325 million.

## **DIVIDEND AND SHAREHOLDER RETURNS**

We are pleased that the Company's significantly improved earnings and strong cash flows have enabled the Board to approve a final dividend for the year ended 30 June 2019 of 15 cents per share (unimputed and unfranked) to be paid on 19 September 2019. Combined with the 8 cents per share interim dividend, this brings the total dividend to 23 cents per share for the FY19 year. The Board is pleased that we have been able to resume payment of a dividend and that we can now begin again to reward our many shareholders who have remained loyal to the Company during a difficult period.

Given the strength of the balance sheet, our confidence in the B+I provisions and our outlook generally we are also returning up to \$300 million to shareholders through an on-market share buyback. The buyback will commence following release of the Company's full year results.

(ii) New Zealand example of a ‘Chair only’ and ‘CEO only’ report: Fletcher Building Limited cont.

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#### HEALTH AND SAFETY

We were very saddened at the tragic deaths of five of our people during the year. These incidents continue to remind us of the importance of taking a vigilant approach to safety. The Board has placed intense scrutiny on health and safety and on improving safety performance. We will continue to stay focused on this as management implement a business-wide reset of safety across all of Fletcher Building.

#### GOVERNANCE

In September, we welcomed five new independent directors, who have added valuable expertise, bringing a range of complementary commercial, operational and governance experience to the Board skill set. During the year, Board members placed an added emphasis on getting close to the operating businesses through a greater number of site tours and meetings with management across the Group. I am confident the Board has appropriate governance and oversight of the operations of the Group.

On behalf of my Board colleagues, I would like to express our appreciation for all the dedication of the Group’s employees during FY19 and for the resilience and commitment they showed during one of the most difficult periods in the Company’s history.

I am privileged to have become Fletcher Building’s Chair at a pivotal point in its long history and I am pleased with the progress we have made through this year. You can rest assured that I and my fellow Board members are focused on delivering enhanced value to all our shareholders and building strong relationships of trust with our key stakeholders.

#### ANNUAL SHAREHOLDER MEETING

This year’s Annual Shareholder Meeting will be held in November 2019. We look forward to shareholders taking the opportunity to ask questions, if they wish.

#### LOOKING AHEAD

This year, we implemented what was planned and outlined in June 2018 – we stabilised the Group, returned to profits, reinstated dividends, and focused our activities back on New Zealand and Australia. This sets us up well to drive strong performance across all our businesses, in particular, our Australia businesses, in the coming financial year and as we make further progress on executing our strategy.



**Bruce Hassall**  
Chair



# CEO's Report



Ross Taylor, CEO.

At the beginning of the year we identified three stages to the repositioning of Fletcher Building; firstly, to stabilise the business through FY19, then to drive performance through FY20, and from FY21 onwards drive growth. Through this year we achieved what we needed to and we remain on track.

It was both pleasing and important to see the business deliver against our financial goals, albeit Australia was tougher than expected; and across our key actions through FY19. This performance however, was somewhat overshadowed by the fatalities we experienced in our Steel and Construction divisions which I discuss in more detail later.

Our overarching theme through the year was to get focused and this was achieved; we successfully sold our Northern Hemisphere businesses, we stabilised Construction, we made a material intervention in Australia to set it up for a turnaround, and through all this stayed focused on our strong core New Zealand businesses.

## HEALTH AND SAFETY

We have an unwavering commitment to the health and safety of our people and those who work with us. We were therefore deeply saddened that during the year we had five fatalities in our business. Our focus immediately after these was to support the families, friends and workmates who were impacted by these tragedies, and to ensure these would not be repeated. We also engaged more broadly across government and industry to change standard industry work practices where appropriate. Beyond this we embarked on a multi-year reset of our safety programs and approach across the entire business. The leadership team and I are committed to making Fletcher Building a consistently safe place where everyone who works with us, returns home safely to their families each and every day.

## (ii) New Zealand example of a 'Chair only' and 'CEO only' report: Fletcher Building Limited cont.

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### PERFORMANCE

Fletcher Building's performance in FY19 was solid and importantly we finished the year within our earnings guidance range. Group EBIT before significant items was \$631 million, compared to \$50 million in the prior year. Significant items of \$234 million were incurred through the divestment of our International businesses and through restructuring charges taken to reset our Australia division.

Group revenue was \$9,307 million, which was slightly down on FY18, but excluding B+I revenue was slightly higher than the prior period. Our core New Zealand divisions, including residential, delivered good results, and despite operating in a highly competitive environment these businesses maintained strong market positions and revenues.

The Construction division stabilised and returned to profitability during FY19, and we continue to remain within the provisions set for the legacy B+I projects in February 2018. Only six of these projects remain to be completed, and of these projects only two will extend into calendar 2020. We announced in June that we would resume bidding for new vertical construction work and will do so in a very measured and disciplined way.

A combination of a tough residential market, rising input costs and poor operating disciplines in some areas saw the Australian division deliver lower than expected results for the year. That said it was always identified as a "turnaround" and the team successfully implemented a decisive intervention through the year to set these businesses up for profit growth in FY20.

A highlight of the year was the successful sale of the Formica and Roof Tile Group businesses. These were both completed ahead of schedule and the proceeds received were above expectations. The exit of these businesses leaves the Group with a more focused and manageable footprint and has materially strengthened the Company's balance sheet.

### CAPITAL MANAGEMENT

We made considerable gains with strengthening the company's balance sheet during FY19 and ended the year well below our target leverage range following the successful sale of Formica for \$1.2 billion. This has allowed us to commence a debt reduction program which will total between \$700 million and \$800 million across FY19 and FY20.

The Company intends to maintain a prudent balance sheet while our performance reset continues.

But having taken this into consideration we will return up to \$300 million to shareholders by way of an on-market share buyback to commence following full year results.

Dividend payments were reinstated during FY19 with a total dividend for the year of 23 cents per share.

### EMPLOYEE ENGAGEMENT

Through the year, the benefits of our leaner organisation, greater communication, and the shift of key skills and overhead into the operating businesses, started to emerge. We also made good progress on evolving and improving leadership through all levels of

the company, as well as supporting people with appropriate training and development.

These changes underpinned a continuing rise in employee engagement through the year.

### CUSTOMER SATISFACTION

Great customer service underpins our business, and in FY19 we saw an increase in our customer satisfaction measure, reflecting our focus in this area. We continue to look to have all businesses performing at top quartile levels on customer satisfaction measures over the coming few years.

### SUSTAINABILITY AND INNOVATION

Our sustainability journey continued to develop in FY19 as we work to increase the transparency of reporting in this space and move towards an integrated reporting model.

We are committed to reducing our carbon footprint and are in the process of setting a science-based target for carbon emissions reduction.

We have a range of initiatives underway which include the diversion of up to half of all New Zealand's used tyres into fuel to be used in the manufacture of cement, the recycling of plastic waste into the manufacture of our plastic pipes, and the planned investment in a new state-of-the-art Winstone Wallboards factory, which will enable the recycling of used plasterboard and the reduction of carbon emissions by 15%.

In addition, we are in the final stages of building a scale housing panelisation factory in Auckland which will facilitate both higher quality homes and a significant reduction in the average total time of constructing a home.

### OUTLOOK

In New Zealand we expect residential consents to ease slightly off current peaks, non-residential construction to remain at similar levels, and infrastructure spend to ease in major roading with a move to road safety, water, and rail.

And in Australia we expect the contraction in residential to continue, and the non-residential and East Coast infrastructure market to be broadly flat.

### CONCLUSION

Through FY19 we achieved what we said we would, and this positions us well to drive performance through FY20.

I thank our shareholders, people, customers and suppliers for their continued support of Fletcher Building, and I look forward to updating you on our progress during FY20 and beyond.



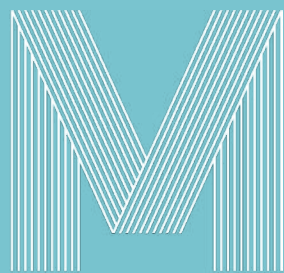
Ross Taylor  
CEO

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