

New company reporting requirements



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A number of new requirements to report about employees and pay take effect in 2019. The changes apply to financial years beginning on or after 1 January 2019, so the first reports will be published in 2020.

CEO pay ratios: Quoted companies (i.e. those listed on the London Stock Exchange, an EEA exchange, the New York Stock Exchange or NASDAQ) with more than 250 UK employees will be required to report pay ratio information in their annual directors' remuneration reports. The pay ratio information will need to compare the total remuneration of the company's CEO with the remuneration of employees at the 25th, 50th and 75th percentiles of the workforce, and provide an explanation of the ratios. Going forward, it is intended that the ratio information should cover a ten-year period.

Corporate governance for private companies: Large private companies will be required to include a statement about their approach to corporate governance in their directors' reports, including which corporate governance code the company has applied (if any), how it did so and the reasons for any departure from that code. The Financial Reporting Council has published the Wates Corporate Governance Principles for Large Private Companies which can be used for this purpose. The requirement will apply to companies that have either more than 2,000 employees or a turnover of more than £200 million and a balance sheet of more than £2 billion.

Employee engagement: All companies with at least 250 UK employees will be required to report on employee engagement as part of their annual directors' reports. The report will need to describe what measures were taken during the financial year to introduce or develop arrangements for providing information to employees and consulting with them about decisions likely to affect them. Directors will also need to explain how they engaged with employees and had regard to their interests, and how this has impacted on key decisions of the company.

Revised corporate governance code: a revised UK Corporate Governance Code for premium listed companies has been published, with the changes applying to financial years beginning on or after 1 January 2019.

The key changes in relation to employment are that:

- companies should use one or more of three specified mechanisms for employee engagement – namely, appointing a director from the workforce, implementing a formal workforce advisory panel or designating a non-executive director to represent the workforce
- the board should routinely review the company's whistleblowing procedures and ensure a proportionate and independent investigation, and follow-up, of any matters arising from them
- appointments to the board and succession planning should promote diversity of gender and social and ethnic backgrounds.