



Department for Business & Trade

Kevin Hollinrake MP
Parliamentary Under Secretary of State

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Richard Fuller MP
Chair – All Party Parliamentary Corporate Governance
Group
House of Commons
London
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19th July 2023

Dear Richard,

I wanted to let you know, as Chair of the All Party Parliamentary Corporate Governance Group, that the Government has today laid in Parliament a draft statutory instrument (SI) under the Companies Act 2006 that will, if approved by Parliament, introduce new corporate reporting requirements covering how companies manage significant risks, ensure dividend affordability and sustainability, and certain other matters. A copy of the draft SI (along with copies of the explanatory memorandum and impact assessment) can be found here on [legislation.gov.uk](https://www.legislation.gov.uk) (<https://www.legislation.gov.uk/ukdsi/2023/9780348250220/contents>).

The draft SI responds to lessons learned from the collapse of Carillion and other major and unexpected corporate insolvencies in recent years, and forms part of the Government's wider audit and corporate governance reform programme. The policy proposals were consulted on as part of the 2021 White Paper on 'Restoring Trust in Audit and Corporate Governance' and the final policy plans confirmed in the Government's response to the White Paper consultation, published on 31st May 2022.

The draft SI provides for the following new corporate statements to be included in the annual reports and accounts, while removing or rationalising certain existing reporting:

- (i) An annual resilience statement, setting out how companies are managing significant risks, and building or maintaining business resilience, over the short, medium and long term (which will replace an existing Code-based viability statement found to have produced boiler plate reporting, while integrating all risk reporting into a single statement in the annual report).
- (ii) Annual statements which confirm that a company has sufficient realised profits to pay any dividend or other distribution of profit, and which explain the company's forward looking policy on dividends and other profit distributions.
- (iii) An annual statement on action being taken by directors to prevent or detect material fraud (i.e. fraud on a scale likely to influence shareholder investment decisions).
- (iv) A triennial audit and assurance policy statement, in which directors must explain their plans for assuring the quality of their non-financial reporting (which is largely out-with the scope of the annual statutory audit of the accounts).

The draft SI applies to companies, both listed and private, with 750 employees or more, and an annual turnover of £750m or more.

The draft SI is subject to the affirmative procedure, and is due to be debated in Parliament in the autumn. Subject to Parliamentary approval, the SI is due to come into force from 1st January 2025. If it would be helpful, my officials could provide you with a briefing on its contents.

Yours ever,

A handwritten signature in black ink, appearing to read 'Kevin', written in a cursive style.

KEVIN HOLLINRAKE MP

Parliamentary Under Secretary of State – Department for Business and Trade