

ENVIRONMENTAL AUDIT COMMITTEE MEMORANDUM

Changes to Narrative Reporting: Operating and Financial Review and Business Review

This Committee has requested copies of all internal documents which may shed light on the process by which the decision was reached to abolish the OFR, including the documents sent to Friends of the Earth as part of legal proceedings.

The Treasury Solicitor's letter of 22 December sent in response to Friends of the Earth's 7 December letter explains the basis for the November decision. The letter also lists the documents provided to Friends of the Earth, and the substantive content of each of those documents is now provided to the Committee for the purpose of informing your discussions on the Pre Budget Report.

Around the same time that regulations were laid to remove that statutory OFR the Government asked for comments on the wording of the Business Review to determine whether any changes are needed to clarify its scope and requirements in the Company Law Reform Bill.

In light of the responses to the decision to amend the reporting requirements, the Government has now decided to widen existing consultation to invite views from all stakeholders on the full range of options for narrative reporting. The Department for Trade and Industry is leading this consultation, which closes on 24 March.

Should the Government decide to change reporting requirements, the abridged consultation period will allow for these changes to be reflected in the Company Law Reform Bill, and secondary legislation. For the avoidance of doubt, no such changes would apply to financial reporting periods which had commenced before any new regulations had been passed. This is to ensure that companies have certainty as to their current legal reporting obligations and have adequate time to prepare for any changes. The relevant legal requirement for this financial year remains the Business Review.