



CONSULTATION ON AMENDMENTS TO THE WALKER GUIDELINES

ICAEW welcomes the opportunity to comment on the consultation paper *Amendments to the Walker Guidelines* published by the Guidelines Monitoring Group in April 2014, a copy of which is available from this [link](#).

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MAJOR POINTS

Quoted company benchmark

1. We welcome the work carried out by the Guidelines Monitoring Group (the GMG) to monitor conformity with the Walker Guidelines (the Guidelines) and to keep those Guidelines under review. We are aware that a central aim of the Guidelines and the GMG is to improve the quality of narrative reporting in the private equity industry in line with good practice seen amongst quoted companies (specifically FTSE 350 companies). With this in mind, we are not entirely convinced by the reasons given by the GMG to not update the Guidelines for the recent requirements for quoted companies to disclose certain information on greenhouse gas emissions within the directors' report. Please see paragraph four below.

Scope of our review

2. We have reviewed the proposed amendments to the Guidelines with reference to *The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013* only and do not comment in this submission on the GMG's decision not to amend the Guidelines in order to incorporate the transparency requirements included in the Alternative Investment Fund Managers Directive (AIFMD).

RESPONSES TO SPECIFIC QUESTIONS

Q1: 1. Do you agree with the proposed amendments to Part V Section 4 of the Guidelines relating to the enhanced reporting requirements for portfolio companies? If not, please set out your specific concerns and suggestions for an alternative approach.

3. We agree that it is necessary for the Guidelines to be updated to reflect the recent changes to UK narrative reporting requirements introduced by *The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013* (the 'regulations'). These regulations came into effect for financial years ending on or after 30 September 2013 and it is important that any entities following the Guidelines have access to the most up to date regulatory information.
4. We are aware that the GMG aims to improve the quality of narrative reporting for the private equity industry through benchmarking reporting requirements against those applicable to quoted companies (specifically FTSE 350 companies). With this in mind, we are not entirely convinced by the reasons given by the GMG to not amend the Guidelines in order to reflect the new greenhouse gas emissions disclosures required in a quoted company's directors' report (as introduced by the regulations). That is, that the Guidelines need only be updated for those elements which were previously contained within the business review and provide more disclosure on the activities of the company and those factors which could impact the company's future development.
5. We note that section two of the consultation paper goes on to state that companies may wish to include information on greenhouse gas emissions in their annual reports, for example in the section on environment matters within the strategic report, depending on the nature of the company's activities. In our opinion, a similar statement along these lines could usefully be incorporated into the Guidelines themselves. This would ensure that the enhanced narrative reporting requirements for portfolio companies continue to reflect the reporting requirements for quoted companies while still providing an appropriate level of flexibility.

2. Do you agree the proposed changes to the reporting requirements for Walker portfolio companies appropriately implement The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 in respect of the requirements relating to the Strategic Report?

6. Under section 4 of the amended Guidelines, the paragraph outlining the requirements of s414C(7) of the Companies Act 2006 is drafted as follows:

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—

a) the main trends and factors likely to affect the future development, performance and position of the company's business, and

b) information about—

i. environmental matters (including the impact of the company's business on the environment),

ii. the company's employees, and

iii. social, community and human rights issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies.

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.

7. As currently drafted it appears that the requirement for an entity to include 'information about any policies of the company in relation to those matters and the effectiveness of those policies' is only relevant to information disclosed on social, community and human rights issues. In fact, this requirement is relevant to all the information required under section b) of this paragraph eg, including environmental matters and the company's employees. We recommend that this paragraph is redrafted in order to more accurately reflect the requirements of the underlying regulations.

3. Do you agree with the Group's approach to implementing the requirements concerning greenhouse gas emissions in the directors' report? If not, please provide suggestions for an alternative approach.

8. We have some reservations over the decision not to amend the Guidelines for the new requirements for quoted companies to disclose certain information on greenhouse gas emissions within the directors' report. Please see our response to question one above.

4. Do you agree with the timeframe proposed for implementation of the amendments to the Guidelines?

9. Yes. We have no objections to the proposed timeframe for implementation of the amendments to the Guidelines.