

*These notes refer to the Companies Act 2006 (c.46)
which received Royal Assent on 8 November 2006*

COMPANIES ACT 2006

EXPLANATORY NOTES

COMMENTARY

Part 15: Accounts and Reports

Chapter 9: Quoted Companies: Members' Approval of Directors' Remuneration Report

Section 440: Quoted companies: offences in connection with procedure for approval

686. These sections restate the requirement under section 241A of the 1985 Act that a quoted company circulate a resolution approving the directors' remuneration report for the preceding financial year to its shareholders prior to its annual general meeting. The vote is advisory: as such, it does not require directors to amend contractual entitlements, nor to amend their remuneration policy, but the result of the vote will send a very strong signal to directors about the level of support among shareholders for the board's remuneration policy. In practice, directors will wish to take notice of the views of the company's members, and to respond appropriately. All "existing directors" (that is, every person who, immediately before the general meeting, is a director of the company) have a responsibility to ensure that the resolution is put to the vote of the meeting. As such, the requirement does not apply to past directors (even if they served on the board or as members of the remuneration committee in the current financial year), but it does apply to "existing directors" who were, for whatever reason, not present at the general meeting.