

## SCHEDULE

Regulation 3

### “SCHEDULE 8

#### QUOTED COMPANIES: DIRECTORS’ REMUNERATION REPORT

### PART 1

#### INTRODUCTORY

1.—(1) In the directors’ remuneration report for a financial year (“the relevant financial year”) there must be shown, subject to sub-paragraph (2), the information specified in Parts 2, 3, and 4.

(2) The directors’ remuneration policy as specified in Part 4, may, subject to sub-paragraph (3), be omitted from the directors’ remuneration report for a financial year, if the company does not intend, at the accounts meeting at which the report is to be laid, to move a resolution to approve the directors’ remuneration policy in accordance with section 439A of the 2006 Act.

(3) Where the directors’ remuneration policy is omitted from the report in accordance with sub-paragraph (2), there must be set out in the report the following information—

- (a) the date of the last general meeting of the company at which a resolution was moved by the company in respect of that directors’ remuneration policy and at which that policy was approved; and
- (b) where, on the company’s website or at some other place, a copy of that directors’ remuneration policy may be inspected by the members of the company.

2.—(1) Information required to be shown in the report for or in respect of a particular person must be shown in the report in a manner that links the information to that person identified by name.

(2) Nothing in this Schedule prevents the directors setting out in the report any such additional information as they think fit, and any item required to be shown in the report may be shown in greater detail than required by the provisions of this Schedule.

(3) Where the requirements of this Schedule make reference to a “director” those requirements may be complied with in such manner as to distinguish between directors who perform executive functions and those who do not.

(4) Any requirement of this Schedule to provide information in respect of a director may, in respect of those directors who do not perform executive functions, be omitted or otherwise modified where that requirement is not applicable to such a director and in such a case, particulars of, and the reasons for, the omission or modification must be given in the report.

(5) Any requirement of this Schedule to provide information in respect of performance measures or targets does not require the disclosure of information which, in the opinion of the directors, is commercially sensitive in respect of the company.

(6) Where information that would otherwise be required to be in the report is not included in reliance on sub-paragraph (5), particulars of, and the reasons for, the omission must be given in the report and an indication given of when (if at all) the information is to be reported to the members of the company.

(7) Where any provision of this Schedule requires a sum or figure to be given in respect of any financial year preceding the relevant financial year, in the first directors’ remuneration report prepared in accordance with this Schedule, that sum or figure may, where the sum or figure is not readily available from the reports and accounts of the company prepared for those years, be given as an estimate and a note of explanation provided in the report.

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## PART 2

### ANNUAL STATEMENT

3. The directors’ remuneration report must contain a statement by the director who fulfils the role of chair of the remuneration committee (or, where there is no such person, by a director nominated by the directors to make the statement) summarising for the relevant financial year—

- (a) the major decisions on directors’ remuneration;
- (b) any substantial changes relating to directors’ remuneration made during the year; and
- (c) the context in which those changes occurred and decisions have been taken.

## PART 3

### ANNUAL REPORT ON REMUNERATION

#### Single total figure of remuneration for each director

4.—(1) The directors’ remuneration report must, for the relevant financial year, for each person who has served as a director of the company at any time during that year, set out in a table in the form set out in paragraph 5 (“the single total figure table”) the information prescribed by paragraphs 6 and 7 below.

(2) The report may set out in separate tables the information to be supplied in respect of directors who perform executive functions and those who do not.

(3) Unless otherwise indicated the sums set out in the table are those in respect of the relevant financial year and relate to the director’s performance of, or agreement to perform, qualifying services.

5.—(1) The form of the table required by paragraph 4 is—

Single Total Figure Table						
	a	b	c	d	e	Total
Director 1	xxx	xxx	xxx	xxx	xxx	xxx
Director 2	xxx	xxx	xxx	xxx	xxx	xxx

(2) The directors may choose to display the table using an alternative orientation, in which case references in this Schedule to columns are to be read as references to rows.

6.—(1) In addition to the columns described in paragraph 7, columns—

- (a) must be included to set out any other items in the nature of remuneration (other than items required to be disclosed under paragraph 15) which are not set out in the columns headed “(a)” to “(e)”; and
- (b) may be included if there are any sub-totals or other items which the directors consider necessary in order to assist the understanding of the table.

(2) Any additional columns must be inserted before the column marked “Total”.

7.—(1) Subject to paragraph 9, in the single total figure table, the sums that are required to be set out in the columns are—

- (a) in the column headed “a”, the total amount of salary and fees;

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- (b) in the column headed “b”, all taxable benefits;
  - (c) in the column headed “c”, money or other assets received or receivable for the relevant financial year as a result of the achievement of performance measures and targets relating to a period ending in that financial year other than—
    - (i) those which result from awards made in a previous financial year and where final vesting is determined as a result of the achievement of performance measures or targets relating to a period ending in the relevant financial year; or
    - (ii) those receivable subject to the achievement of performance measures or targets in a future financial year;
  - (d) in the column headed “d”, money or other assets received or receivable for periods of more than one financial year where final vesting—
    - (i) is determined as a result of the achievement of performance measures or targets relating to a period ending in the relevant financial year; and
    - (ii) is not subject to the achievement of performance measures or targets in a future financial year;
  - (e) in the column headed “e”, all pension related benefits including—
    - (i) payments (whether in cash or otherwise) in lieu of retirement benefits;
    - (ii) all benefits in year from participating in pension schemes;
  - (f) in the column headed “Total”, the total amount of the sums set out in the previous columns.
- (2) Where it is necessary to assist the understanding of the table by the creation of sub-totals the columns headed “a” to “e” may be set out in an order other than the one set out in paragraph 5.

**8.—(1)** In respect of any items in paragraph 7(1)(c) or (d) where the performance measures or targets are substantially (but not fully) completed by the end of the relevant financial year—

- (a) the sum given in the table may include sums which relate to the following financial year; but
- (b) where such sums are included, those sums must not be included in the corresponding column of the single total figure table prepared for that following financial year; and
- (c) a note to the table must explain the basis of the calculation.

(2) Where any money or other assets reported in the single total figure table in the directors’ remuneration report prepared in respect of any previous financial year are the subject of a recovery of sums paid or the withholding of any sum for any reason in the relevant financial year—

- (a) the recovery or withholding so attributable must be shown in a separate column in the table as a negative value and deducted from the column headed “Total”; and
- (b) an explanation for the recovery or withholding and the basis of the calculation must be given in a note to the table.

(3) Where the calculations in accordance with paragraph 10 (other than in respect of a recovery or withholding) result in a negative value, the result must be expressed as zero in the relevant column in the table.

**9.—(1)** Each column in the single total figure table must contain, in such manner as to permit comparison, two sums as follows—

- (a) the sum set out in the corresponding column in the report prepared in respect of the financial year preceding the relevant financial year; and
- (b) the sum for the relevant financial year.

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(2) When, in the single total figure table, a sum is given in the column which relates to the preceding financial year and that sum, when set out in the report for that preceding year was given as an estimated sum, then in the relevant financial year—

- (a) it must be given as an actual sum;
- (b) the amount representing the difference between the estimate and the actual must not be included in the column relating to the relevant financial year; and
- (c) details of the calculation of the revised sum must be given in a note to the table.

**10.**—(1) The methods to be used to calculate the sums required to be set out in the single total figure table are—

- (a) for the column headed “a”, cash paid to or receivable by the person in respect of the relevant financial year;
- (b) for the column headed “b”, the gross value before payment of tax;
- (c) for column “c”, the total cash equivalent including any amount deferred, other than where the deferral is subject to the achievement of further performance measures or targets in a future financial year;
- (d) for column “d”—
  - (i) the cash value of any monetary award;
  - (ii) the value of any shares or share options awarded, calculated by—
    - (aa) multiplying the original number of shares granted by the proportion that vest (or an estimate);
    - (bb) multiplying the total arrived at in (aa) by the market price of shares at the date on which the shares vest; and
  - (iii) the value of any additional cash or shares receivable in respect of dividends accrued (actually or notionally);
- (e) for the column headed “e”,—
  - (i) for the item in paragraph 7(1)(e)(i), the cash value;
  - (ii) for the item in paragraph 7(1)(e)(ii), what the aggregate pension input amount would be across all the pension schemes of the company or group in which the director accrues benefits, calculated using the method set out in section 229 of the Finance Act 2004<sup>(1)</sup> where—
    - (aa) references to “pension input period” are to be read as references to the company’s financial year, or where a person becomes a director during the financial year, the period starting on the date the person became a director and ending at the end of the financial year;
    - (bb) all pension schemes of the company or group which provide relevant benefits to the director are deemed to be registered schemes;
    - (cc) all pension contributions paid by the director during the pension input period are deducted from the pension input amount;
    - (dd) in the application of section 234 of that Act, the figure 20 is substituted for the figure 16 each time it appears;
    - (ee) subsections 229(3) and (4) do not apply; and
    - (ff) section 277 of that Act is read as follows—

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(1) 2004 c.12.

### **“277 Valuation assumptions**

For the purposes of this Part the valuation assumptions in relation to a person, benefits and a date are—

- (a) if the person has not left the employment to which the arrangement relates on or before the date, that the person left that employment on the date with a prospective right to benefits under the arrangement,
- (b) if the person has not reached such age (if any) as must have been reached to avoid any reduction in the benefits on account of age, that on the date the person is entitled to receive the benefits without any reduction on account of age, and
- (c) that the person’s right to receive the benefits had not been occasioned by physical or mental impairment.”.

(2) For the item in paragraph 7(1)(e)(ii) where there has not been a company contribution to the pension scheme in respect of the director, but if such a contribution had been made it would have been measured for pension input purposes under section 233(1)(b) of the Finance Act 2004, when calculating the pension input amount for the purposes of sub-paragraph (1)(e)(ii) it should be calculated as if the cash value of any contribution notionally allocated to the scheme in respect of the person by or on behalf of the company including any adjustment made for any notional investment return achieved during the relevant financial year were a contribution paid by the employer in respect of the individual for the purposes of section 233(1)(b) of the Finance Act 2004.

(3) For the purposes of the calculation in sub-paragraph (1)(d)(ii)—

- (a) where the market price of shares at the date on which the shares vest is not ascertainable by the date on which the remuneration report is approved by the directors, an estimate of the market price of the shares shall be calculated on the basis of an average market value over the last quarter of the relevant financial year; and
- (b) where the award was an award of shares or share options, the cash amount the individual was or will be required to pay to acquire the share must be deducted from the total.

### **Definitions applicable to the single total figure table**

**11.**—(1) In paragraph 7(1)(b) “taxable benefits” includes—

- (a) sums paid by way of expenses allowance that are—
  - (i) chargeable to United Kingdom income tax (or would be if the person were an individual, or would be if the person were resident in the United Kingdom for tax purposes), and
  - (ii) paid to or receivable by the person in respect of qualifying services; and
- (b) any benefits received by the person, other than salary, (whether or not in cash) that—
  - (i) are emoluments of the person, and
  - (ii) are received by the person in respect of qualifying services.

(2) A payment or other benefit received in advance of a director commencing qualifying services, but in anticipation of performing qualifying services, is to be treated as if received on the first day of performance of the qualifying services.

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### **Additional requirements in respect of the single total figure table**

**12.**—(1) In respect of the sum required to be set out by paragraph 7(1)(b), there must be set out after the table a summary identifying—

- (a) the types of benefits the value of which is included in the sum set out in the column headed “b”; and
- (b) the value (where significant).

(2) For every component the value of which is included in the sums required to be set out in the columns headed “c” and “d” of the table by paragraphs 7(1)(c) and (d), there must be set out after the table the relevant details.

(3) In sub-paragraph (2) “the relevant details” means—

- (a) details of any performance measures and the relative weighting of each;
- (b) within each performance measure, the performance targets set at the beginning of the performance period and corresponding value of the award achievable;
- (c) for each performance measure, details of actual performance relative to the targets set and measured over the relevant reporting period, and the resulting level of award; and
- (d) where any discretion has been exercised in respect of the award, particulars must be given of how the discretion was exercised and how the resulting level of award was determined.

(4) For each component the value of which is included in the sum set out in the column headed “c” of the table, the report must state if any amount was deferred, the percentage deferred, whether it was deferred in cash or shares, if relevant, and whether the deferral was subject to any conditions other than performance measures.

(5) Where additional columns are included in accordance with paragraph 6(1)(a), there must be set out in a note to the table the basis on which the sums in the column were calculated, and other such details as are necessary for an understanding of the sums set out in the column, including any performance measures relating to that component of remuneration or if there are none, an explanation of why not.

### **Total pension entitlements**

**13.**—(1) The directors’ remuneration report must, for each person who has served as a director of the company at any time during the relevant financial year, and who has a prospective entitlement to defined benefits or cash balance benefits (or to benefits under a hybrid arrangement which includes such benefits) in respect of qualifying services, contain the following information in respect of pensions—

- (a) details of those rights as at the end of that year, including the person’s normal retirement date;
- (b) a description of any additional benefit that will become receivable by a director in the event that that director retires early; and
- (c) where a person has rights under more than one type of pension benefit identified in column headed “e” of the single total figure table, separate details relating to each type of pension benefit.

(2) For the purposes of this paragraph, “defined benefits”, “cash balance benefits” and “hybrid arrangement” have the same meaning as in section 152 of the Finance Act 2004.

(3) “Normal retirement date” means an age specified in the pension scheme rules (or otherwise determined) as the earliest age at which, while the individual continues to accrue benefits under the pension scheme, entitlement to a benefit arises—

(a) without consent (whether of an employer, the trustees or managers of the scheme or otherwise), and

(b) without an actuarial reduction,

but disregarding any special provision as to early repayment on grounds of ill health, redundancy or dismissal.

#### **Scheme interests awarded during the financial year**

**14.—**(1) The directors' remuneration report must for each person who has served as a director of the company at any time during the relevant financial year contain a table setting out—

(a) details of the scheme interests awarded to the person during the relevant financial year; and

(b) for each scheme interest—

(i) a description of the type of interest awarded;

(ii) a description of the basis on which the award is made;

(iii) the face value of the award;

(iv) the percentage of scheme interests that would be receivable if the minimum performance was achieved;

(v) for a scheme interest that is a share option, an explanation of any difference between the exercise price per share and the price specified under paragraph 14(3);

(vi) the end of the period over which the performance measures and targets for that interest have to be achieved (or if there are different periods for different measures and targets, the end of whichever of those periods ends last); and

(vii) a summary of the performance measures and targets if not set out elsewhere in the report.

(2) In respect of a scheme interest relating to shares or share options, "face value" means the maximum number of shares that would vest if all performance measures and targets are met multiplied by either—

(a) the share price at date of grant or

(b) the average share price used to determine the number of shares awarded.

(3) Where the report sets out the face value of an award in respect of a scheme interest relating to shares or share options, the report must specify—

(a) whether the face value has been calculated using the share price at date of grant or the average share price;

(b) where the share price at date of grant is used, the amount of that share price and the date of grant;

(c) where the average share price is used, what that price was and the period used for calculating the average.

#### **Payments to past directors**

**15.** The directors' remuneration report must, for the relevant financial year, contain details of any payments of money or other assets to any person who was not a director of the company at the time the payment was made, but who had been a director of the company before that time, excluding—

(a) any payments falling within paragraph 16;

(b) any payments which are shown in the single total figure table;

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- (c) any payments which have been disclosed in a previous directors' remuneration report of the company;
- (d) any payments which are below a *de minimis* threshold set by the company and stated in the report;
- (e) payments by way of regular pension benefits commenced in a previous year or dividend payments in respect of scheme interests retained after leaving office; and
- (f) payments in respect of employment with or any other contractual service performed for the company other than as a director.

#### **Payments for loss of office**

**16.** The directors' remuneration report must for the relevant financial year set out, for each person who has served as a director of the company at any time during that year, or any previous year, excluding payments which are below a *de minimis* threshold set by the company and stated in the report—

- (a) the total amount of any payment for loss of office paid to or receivable by the person in respect of that financial year, broken down into each component comprised in that payment and the value of each component;
- (b) an explanation of how each component was calculated;
- (c) any other payments paid to or receivable by the person in connection with the termination of qualifying services, whether by way of compensation for loss of office or otherwise, including the treatment of outstanding incentive awards that vest on or following termination; and
- (d) where any discretion was exercised in respect of the payment, an explanation of how it was exercised.

#### **Statement of directors' shareholding and share interests**

**17.** The directors' remuneration report for the relevant financial year must contain, for each person who has served as a director of the company at any time during that year—

- (a) a statement of any requirements or guidelines for the director to own shares in the company and state whether or not those requirements or guidelines have been met;
- (b) in tabular form or forms—
  - (i) the total number of interests in shares in the company of the director including interests of connected persons (as defined for the purposes of section 96B(2) of the Financial Services and Markets Act 2000<sup>(2)</sup>);
  - (ii) total number of scheme interests differentiating between—
    - (aa) shares and share options; and
    - (bb) those with or without performance measures;
  - (iii) details of those scheme interests (which may exclude any details included elsewhere in the report); and
  - (iv) details of share options which are—
    - (aa) vested but unexercised; and
    - (bb) exercised in the relevant financial year.

(2) 2000 c.8. Section 96B was inserted by paragraph 6 of Schedule 1 to S.I. 2005/381. Subsection 96B(2) was substituted by regulation 2(1) of S.I. 2009/2461.



### **Performance graph and table**

- 18.—**(1) The directors' remuneration report must—
- (a) contain a line graph that shows for each of—
    - (i) a holding of shares of that class of the company's equity share capital whose listing, or admission to dealing, has resulted in the company falling within the definition of "quoted company", and
    - (ii) a hypothetical holding of shares made up of shares of the same kinds and number as those by reference to which a broad equity market index is calculated,a line drawn by joining up points plotted to represent, for each of the financial years in the relevant period, the total shareholder return on that holding; and
  - (b) state the name of the index selected for the purposes of the graph and set out the reasons for selecting that index.
- (2) The report must also set out in tabular form the following information for each of the financial years in the relevant period in respect of the director undertaking the role of chief executive officer—
- (a) total remuneration as set out in the single total figure table;
  - (b) the sum set out in the table in column headed "c" in the single total figure table expressed as a percentage of the maximum that could have been paid in respect of that component in the financial year; and
  - (c) the sum set out in column headed "d" in the single total figure table restated as a percentage of the number of shares vesting against the maximum number of shares that could have been received, or, where paid in money and other assets, as a percentage of the maximum that could have been paid in respect of that component in the financial year.
- (3) For the purposes of sub-paragraphs (1), (2) and (6), "relevant period" means the specified period of financial years of which the last is the relevant financial year.
- (4) Where the relevant financial year—
- (a) is the company's first financial year for which the performance graph is prepared in accordance with this paragraph, "specified" in sub-paragraph (3) means "five";
  - (b) is the company's "second", "third", "fourth", "fifth" financial year in which the report is prepared in accordance with this Schedule, "specified" in sub-paragraph (3) means "six", "seven", "eight", "nine" as the case may be; and
  - (c) is any financial year after the fifth financial year in which the report is prepared in accordance with this Schedule, "specified" means "ten".
- (5) Sub-paragraph (2) may be complied with by use of either—
- (a) a sum based on the information supplied in the directors' remuneration reports for those previous years, or,
  - (b) where no such report has been compiled, a suitable corresponding sum.
- (6) For the purposes of sub-paragraph (1), the "total shareholder return" for a relevant period on a holding of shares must be calculated using a fair method that—
- (a) takes as its starting point the percentage change over the period in the market price of the holding;
  - (b) involves making—
    - (i) the assumptions specified in sub-paragraph (7) as to reinvestment of income, and
    - (ii) the assumption specified in sub-paragraph (9) as to the funding of liabilities; and
  - (c) makes provision for any replacement of shares in the holding by shares of a different description;

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and the same method must be used for each of the holdings mentioned in sub-paragraph (1).

(7) The assumptions as to reinvestment of income are—

- (a) that any benefit in the form of shares of the same kind as those in the holding is added to the holding at the time the benefit becomes receivable; and
- (b) that any benefit in cash, and an amount equal to the value of any benefit not in cash and not falling within paragraph (a), is applied at the time the benefit becomes receivable in the purchase at their market price of shares of the same kind as those in the holding and that the shares purchased are added to the holding at that time.

(8) In sub-paragraph (7) “benefit” means any benefit (including, in particular, any dividend) receivable in respect of any shares in the holding by the holder from the company of whose share capital the shares form part.

(9) The assumption as to the funding of liabilities is that, where the holder has a liability to the company of whose capital the shares in the holding form part, shares are sold from the holding—

- (a) immediately before the time by which the liability is due to be satisfied, and
- (b) in such numbers that, at the time of the sale, the market price of the shares sold equals the amount of the liability in respect of the shares in the holding that are not being sold.

(10) In sub-paragraph (9) “liability” means a liability arising in respect of any shares in the holding or from the exercise of a right attached to any of those shares.

#### **Percentage change in remuneration of director undertaking the role of chief executive officer**

**19.**—(1) The directors’ remuneration report must set out (in a manner which permits comparison) in relation to each of the kinds of remuneration required to be set out in each of the columns headed “a”, “b” and “c” of the single total figure table the following information—

- (a) the percentage change from the financial year preceding the relevant financial year in respect of the director undertaking the role of the chief executive officer; and
- (b) the average percentage change from the financial year preceding the relevant financial year in respect of the employees of the company taken as a whole.

(2) Where for the purposes of sub-paragraph (1)(b), a comparator group comprising the employees taken as a whole is considered by the company as an inappropriate comparator group of employees, the company may use such other comparator group of employees as the company identifies, provided the report contains a statement setting out why that group was chosen.

(3) Where the company is a parent company, the statement must relate to the group and not the company, and the director reported on is the director undertaking the role of chief executive officer of the parent company, and the employees are the employees of the group.

#### **Relative importance of spend on pay**

**20.**—(1) The directors’ remuneration report must set out in a graphical or tabular form that shows in respect of the relevant financial year and the immediately preceding financial year the actual expenditure of the company, and the difference in spend between those years, on—

- (a) remuneration paid to or receivable by all employees of the group;
- (b) distributions to shareholders by way of dividend and share buyback; and
- (c) any other significant distributions and payments or other uses of profit or cash-flow deemed by the directors to assist in understanding the relative importance of spend on pay.

(2) There must be set out in a note to the report an explanation in respect of sub-paragraph (1)(c) why the particular matters were chosen by the directors and how the amounts were calculated.

(3) Where the matters chosen for the report in respect of sub-paragraph (1)(c) in the relevant financial year are not the same as the other items set out in the report for previous years, an explanation for that change must be given.

#### **Statement of implementation of remuneration policy in the following financial year**

**21.**—(1) The directors' remuneration report must contain a statement describing how the company intends to implement the approved directors' remuneration policy in the financial year following the relevant financial year.

(2) The statement must include, where applicable, the—

- (a) performance measures and relative weightings for each; and
- (b) performance targets determined for the performance measures and how awards will be calculated.

(3) Where this is not the first year of the approved remuneration policy, the statement should detail any significant changes in the way that the remuneration policy will be implemented in the next financial year compared to how it was implemented in the relevant financial year.

(4) This statement need not include information that is elsewhere in the report, including any disclosed in the directors' remuneration policy.

#### **Consideration by the directors of matters relating to directors' remuneration**

**22.**—(1) If a committee of the company's directors has considered matters relating to the directors' remuneration for the relevant financial year, the directors' remuneration report must—

- (a) name each director who was a member of the committee at any time when the committee was considering any such matter;
- (b) state whether any person provided to the committee advice, or services, that materially assisted the committee in their consideration of any such matter and name any person that has done so;
- (c) in the case of any person named under paragraph (b), who is not a director of the company (other than a person who provided legal advice on compliance with any relevant legislation), state—
  - (i) the nature of any other services that that person has provided to the company during the relevant financial year;
  - (ii) by whom that person was appointed, whether or not by the committee and how they were selected;
  - (iii) whether and how the remuneration committee has satisfied itself that the advice received was objective and independent; and
  - (iv) the amount of fee or other charge paid by the company to that person for the provision of the advice or services referred to in paragraph (b) and the basis on which it was charged.

(2) In sub-paragraph (1)(b) "person" includes (in particular) any director of the company who does not fall within sub-paragraph (1)(a).

(3) Sub-paragraph (1)(c) does not apply where the person was, at the time of the provision of the advice or service, an employee of the company.

(4) This paragraph also applies to a committee which considers remuneration issues during the consideration of an individual's nomination as a director.

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### **Statement of voting at general meeting**

**23.** The directors' remuneration report must contain a statement setting out in respect of the last general meeting at which a resolution of the following kind was moved by the company—

- (a) in respect of a resolution to approve the directors' remuneration report, the percentage of votes cast for and against and the number of votes withheld;
- (b) in respect of a resolution to approve the directors' remuneration policy, the percentage of votes cast for and against and the number of votes withheld; and,
- (c) where there was a significant percentage of votes against either such resolution, a summary of the reasons for those votes, as far as known to the directors, and any actions taken by the directors in response to those concerns.

## **PART 4**

### **DIRECTORS' REMUNERATION POLICY**

#### **Introductory**

**24.—(1)** The information required to be included in the directors' remuneration report by the provisions of this Part must be set out in a separate part of the report and constitutes the directors' remuneration policy of the company.

(2) Where a company intends to move a resolution at a meeting of the company to approve a directors' remuneration policy and it is intended that some or all of the provisions of the last approved directors' remuneration policy are to continue to apply after the resolution is approved, this fact must be stated in the policy which is the subject of the resolution and it must be made clear which provisions of the last approved policy are to continue to apply and for what period of time it is intended that they shall apply.

(3) Notwithstanding the requirements of this Part, the directors' remuneration policy part of the report must set out all those matters for which the company requires approval for the purposes of Chapter 4A of Part 10 of the 2006 Act<sup>(3)</sup>.

(4) Where any provision of the directors' remuneration policy provides for the exercise by the directors of a discretion on any aspect of the policy, the policy must clearly set out the extent of that discretion in respect of any such variation, change or amendment.

(5) The directors' remuneration policy (or revised directors' remuneration policy) of a company in respect of which a company moves a resolution for approval in accordance with section 439A of the 2006 Act must, on the first occasion that such a resolution is moved after 1st October 2013 set out the date from which it is intended by the company that that policy is to take effect.

#### **Future policy table**

**25.—(1)** The directors' remuneration report must contain in tabular form a description of each of the components of the remuneration package for the directors of the company which are comprised in the directors' remuneration policy of the company.

(2) Where the report complies with sub-paragraph (1) by reference to provisions which apply generally to all directors, the table must also include any particular arrangements which are specific to any director individually.

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(3) Chapter 4A was inserted into the Companies Act 2006 (c.46) by section 80 of the Enterprise and Regulatory Reform Act 2013 (c.24).

(3) References in this Part to “component parts of the remuneration package” include, but are not limited to, all those items which are relevant for the purposes of the single total figure table.

**26.** In respect of each of the components described in the table there must be set out the following information

- (a) how that component supports the short and long-term strategic objectives of the company (or, where the company is a parent company, the group);
- (b) an explanation of how that component of the remuneration package operates;
- (c) the maximum that may be paid in respect of that component (which may be expressed in monetary terms, or otherwise);
- (d) where applicable, a description of the framework used to assess performance including—
  - (i) a description of any performance measures which apply and, where more than one performance measure applies, an indication of the weighting of the performance measure or group of performance measures;
  - (ii) details of any performance period; and
  - (iii) the amount (which may be expressed in monetary terms or otherwise) that may be paid in respect of —
    - (aa) the minimum level of performance that results in any payment under the policy, and
    - (bb) any further levels of performance set in accordance with the policy;
- (e) an explanation as to whether there are any provisions for the recovery of sums paid or the withholding of the payment of any sum.

**27.** There must accompany the table notes which set out—

- (a) in respect of any component falling within paragraph 26(d)(i)–(iii), an explanation of why any performance measures were chosen and how any performance targets are set;
- (b) in respect of any component (other than salary, fees, benefits or pension) which is not subject to performance measures, an explanation of why there are no such measures;
- (c) if any component did not form part of the remuneration package in the last approved directors’ remuneration policy, why that component is now contained in the remuneration package;
- (d) in respect of any component which did form a part of such a package, what changes have been made to it and why; and
- (e) an explanation of the differences (if any) in the company’s policy on the remuneration of directors from the policy on the remuneration of employees generally (within the company, or where the company is a parent company, the group).

**28.** The information required by paragraph 25 may, in respect of directors not performing an executive function, be set out in a separate table and there must be set out in that table the approach of the company to the determination of—

- (a) the fee payable to such directors;
- (b) any additional fees payable for any other duties to the company;
- (c) such other items as are to be considered in the nature of remuneration.

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### **Approach to recruitment remuneration**

**29.**—(1) The directors' remuneration policy must contain a statement of the principles which would be applied by the company when agreeing the components of a remuneration package for the appointment of directors.

(2) The statement must set out the various components which would be considered for inclusion in that package and the approach to be adopted by the company in respect of each component.

(3) The statement must, subject to sub-paragraph (4), set out the maximum level of variable remuneration which may be granted (which can be expressed in monetary terms or otherwise).

(4) Remuneration which constitutes compensation for the forfeit of any award under variable remuneration arrangements entered into with a previous employer is not included within sub-paragraph (3) of this paragraph, but is subject to the requirements of sub-paragraphs (1) and (2).

### **Service contracts**

**30.** The directors' remuneration policy must contain a description of any obligation on the company which—

- (a) is contained in all directors' service contracts;
- (b) is contained in the service contracts of any one or more existing directors (not being covered by paragraph (a)); or
- (c) it is proposed would be contained in directors' service contracts to be entered into by the company

and which could give rise to, or impact on, remuneration payments or payments for loss of office but which is not disclosed elsewhere in this report.

**31.** Where the directors' service contracts are not kept available for inspection at the company's registered office, the report must give details of where the contracts are kept, and if the contracts are available on a website, a link to that website.

**32.** The provisions of paragraphs 30 and 31 relating to directors' service contracts apply in like manner to the terms of letters of appointment of directors.

### **Illustrations of application of remuneration policy**

**33.** The directors' remuneration report must, in respect of each person who is a director (other than a director who is not performing an executive function), set out in the form of a bar chart an indication of the level of remuneration that would be received by the director in accordance with the directors' remuneration policy in the first year to which the policy applies.

**34.**—(1) The bar chart must contain separate bars representing—

- (a) minimum remuneration receivable, that is to say, including, but not limited to, salary, fees, benefits and pension;
- (b) the remuneration receivable if the director was, in respect of any performance measures or targets, performing in line with the company's expectation;
- (c) maximum remuneration receivable (not allowing for any share price appreciation).

(2) Each bar of the chart must contain separate parts which represent—

- (a) salary, fees, benefits, pension and any other item falling within sub-paragraph 34(1)(a);
- (b) remuneration where performance measures or targets relate to one financial year;
- (c) remuneration where performance measures or targets relate to more than one financial year.

- (3) Each bar must show—
- (a) percentage of the total comprised by each of the parts; and
  - (b) total value of remuneration expected for each bar.

**35.**—(1) A narrative description of the basis of calculation and assumptions used to compile the bar chart must be set out to enable an understanding of the charts presented.

(2) In complying with sub-paragraph (1) it is not necessary for any matter to be included in the narrative description which has been set out in the future policy table required by paragraph 25.

#### **Policy on payment for loss of office**

**36.** The directors' remuneration policy must set out the company's policy on the setting of notice periods under directors' service contracts.

**37.** The directors' remuneration policy must also set out the principles on which the determination of payments for loss of office will be approached including—

- (a) an indication of how each component of the payment will be calculated;
- (b) whether, and if so how, the circumstances of the director's loss of office and performance during the period of qualifying service are relevant to any exercise of discretion; and
- (c) any contractual provision agreed prior to 27th June 2012 that could impact on the quantum of the payment.

#### **Statement of consideration of employment conditions elsewhere in company**

**38.** The directors' remuneration policy must contain a statement of how pay and employment conditions of employees (other than directors) of the company and, where the company is a parent company, of the group of other undertakings within the same group as the company, were taken into account when setting the policy for directors' remuneration.

**39.** The statement must also set out—

- (a) whether, and if so, how, the company consulted with employees when drawing up the directors' remuneration policy set out in this part of the report;
- (b) whether any remuneration comparison measurements were used and if so, what they were, and how that information was taken into account.

#### **Statement of consideration of shareholder views**

**40.** The directors' remuneration policy must contain a statement of whether, and if so how, any views in respect of directors' remuneration expressed to the company by shareholders (whether at a general meeting or otherwise) have been taken into account in the formulation of the directors' remuneration policy.

## **PART 5**

### **PROVISIONS OF THE DIRECTORS' REMUNERATION REPORT WHICH ARE SUBJECT TO AUDIT**

**41.** The information contained in the directors' remuneration report which is subject to audit is the information required by paragraphs 4 to 17 (inclusive) of Part 3 of this Schedule.

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## PART 6

### REVISED DIRECTORS' REMUNERATION POLICY

**42.** A revised directors' remuneration policy prepared in accordance with section 422A of the 2006 Act must contain all those matters required by Part 4 of this Schedule to be in the directors' remuneration policy.

**43.** A revised directors' remuneration policy must be set out in the same manner as required by Part 4 of this Schedule in respect of that part of the directors' remuneration report.

## PART 7

### INTERPRETATION AND SUPPLEMENTARY

**44.—(1)** In this Schedule—

“amount”, in relation to a gain made on the exercise of a share option, means the difference between—

- (a) the market price of the shares on the day on which the option was exercised; and
- (b) the price actually paid for the shares;

“company contributions”, in relation to a pension scheme and a person, means any payments (including insurance premiums) made, or treated as made, to the scheme in respect of the person by anyone other than the person;

“emoluments” of a person—

- (a) include salary, fees and bonuses, sums paid by way of expenses allowance (so far as they are chargeable to United Kingdom income tax or would be if the person were an individual or would be if the person were resident in the United Kingdom for tax purposes), but
- (b) do not include any of the following, namely—
  - (i) the value of any share options granted to him or the amount of any gains made on the exercise of any such options;
  - (ii) any company contributions paid, or treated as paid, in respect of him under any pension scheme or any benefits to which he is entitled under any such scheme; or
  - (iii) any money or other assets paid to or received or receivable by him under any scheme;

“pension scheme” means a retirement benefits scheme within the meaning given by section 150(1) of the Finance Act 2004 which is—

- (a) one in which the company participates or
- (b) one to which the company paid a contribution during the financial year;

“performance measure” is the measure by which performance is to be assessed, but does not include any condition relating to service:

“performance target” is the specific level of performance to be attained in respect of that performance measure;

“qualifying services”, in relation to any person, means his services as a director of the company, and his services at any time while he is a director of the company—

- (a) as a director of an undertaking that is a subsidiary undertaking of the company at that time;



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- (b) as a director of any other undertaking of which he is a director by virtue of the company's nomination (direct or indirect); or
- (c) otherwise in connection with the management of the affairs of the company or any such subsidiary undertaking or any such other undertaking;

“remuneration committee” means a committee of directors of the company having responsibility for considering matters related to the remuneration of directors;

“retirement benefits” means relevant benefits within the meaning given by section 393B of the Income Tax (Earnings and Pensions) Act 2003(4) read as if subsection (2) were omitted;

“scheme” (other than a pension scheme) means any agreement or arrangement under which money or other assets may become receivable by a person and which includes one or more qualifying conditions with respect to service or performance that cannot be fulfilled within a single financial year, and for this purpose the following must be disregarded, namely—

- (a) any payment the amount of which falls to be determined by reference to service or performance within a single financial year;
- (b) compensation in respect of loss of office, payments for breach of contract and other termination payments; and
- (c) retirement benefits;

“scheme interest” means an interest under a scheme;

“shares” means shares (whether allotted or not) in the company, or any undertaking which is a group undertaking in relation to the company, and includes a share warrant as defined by section 779(1) of the 2006 Act;

“share option” means a right to acquire shares;

“value” in relation to shares received or receivable on any day by a person who is or has been a director of a company, means the market price of the shares on that day.

(2) In this Schedule “compensation in respect of loss of office” includes compensation received or receivable by a person for—

- (a) loss of office as director of the company, or
- (b) loss, while director of the company or on or in connection with his ceasing to be a director of it, of—
  - (i) any other office in connection with the management of the company's affairs; or
  - (ii) any office as director or otherwise in connection with the management of the affairs of any undertaking that, immediately before the loss, is a subsidiary undertaking of the company or an undertaking of which he is a director by virtue of the company's nomination (direct or indirect);
- (c) compensation in consideration for, or in connection with, a person's retirement from office; and
- (d) where such a retirement is occasioned by a breach of the person's contract with the company or with an undertaking that, immediately before the breach, is a subsidiary undertaking of the company or an undertaking of which he is a director by virtue of the company's nomination (direct or indirect)—
  - (i) payments made by way of damages for the breach; or
  - (ii) payments made by way of settlement or compromise of any claim in respect of the breach.

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(4) 2003 c.1. Substituted by section 249 of the Finance Act 2004 (c.12) and amended by paragraph 629 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (c.5).

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(3) References in this Schedule to compensation include benefits otherwise than in cash; and in relation to such compensation references in this Schedule to its amounts are to the estimated money value of the benefit.

(4) References in this Schedule to a person being “connected” with a director, and to a director “controlling” a body corporate, are to be construed in accordance with sections 252 to 255 of the 2006 Act.

**45.** For the purposes of this Schedule emoluments paid or receivable or share options granted in respect of a person’s accepting office as a director are to be treated as emoluments paid or receivable or share options granted in respect of his services as a director.

**46.—(1)** The following applies with respect to the amounts to be shown under this Schedule.

(2) The amount in each case includes all relevant sums paid by or receivable from—

- (a) the company; and
- (b) the company’s subsidiary undertakings; and
- (c) any other person,

except sums to be accounted for to the company or any of its subsidiary undertakings or any other undertaking of which any person has been a director while director of the company, by virtue of section 219 of the 2006 Act (payment in connection with share transfer: requirement of members’ approval), to past or present members of the company or any of its subsidiaries or any class of those members.

(3) Reference to amounts paid to or receivable by a person include amounts paid to or receivable by a person connected with the person or a body corporate controlled by the person (but not so as to require an amount to be counted twice).

**47.—(1)** The amounts to be shown for any financial year under Part 3 of this Schedule are the sums receivable in respect of that year (whenever paid) or, in the case of sums not receivable in respect of a period, the sums paid during that year.

(2) But where—

- (a) any sums are not shown in the directors’ remuneration report for the relevant financial year on the ground that the person receiving them is liable to account for them as mentioned in paragraph 46(2), but the liability is thereafter wholly or partly released or is not enforced within a period of 2 years; or
- (b) any sums paid by way of expenses allowance are charged to United Kingdom income tax after the end of the relevant financial year or, in the case of any such sums paid otherwise than to an individual, it does not become clear until the end of the relevant financial year that those sums would be charged to such tax were the person an individual,

those sums must, to the extent to which the liability is released or not enforced or they are charged as mentioned above (as the case may be), be shown in the first directors’ remuneration report in which it is practicable to show them and must be distinguished from the amounts to be shown apart from this provision.

**48.** Where it is necessary to do so for the purpose of making any distinction required by the preceding paragraphs in an amount to be shown in compliance with this Schedule, the directors may apportion any payments between the matters in respect of which these have been paid or are receivable in such manner as they think appropriate.

**49.** The Schedule requires information to be given only so far as it is contained in the company’s books and papers, available to members of the public or the company has the right to obtain it.”

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