
STATUTORY INSTRUMENTS

2018 No. 860

The Companies (Miscellaneous Reporting) Regulations 2018

PART 3

**Amendments to the Large and Medium-sized Companies
and Groups (Accounts and Reports) Regulations 2008**

Amendment of Schedule 8

17. In Part 3 (annual report on remuneration)—

(a) In paragraph 12 (additional requirements in respect of the single total figure table)—

(i) after sub-paragraph (3)(c) insert—

“(ca) the amount of the award or, where this is not ascertainable, an estimate of the amount of the award, that is attributable to share price appreciation;”, and

(ii) in sub-paragraph (3)(d) for “and how the resulting level of award was determined” substitute “, how the resulting level of award was determined and whether the discretion has been exercised as a result of share price appreciation or depreciation.”;

(b) After paragraph 19 insert—

**“Pay ratio information in relation to the total remuneration of the director
undertaking the role of chief executive officer**

19A.—(1) If paragraph 19B applies to the company for the relevant financial year the directors’ remuneration report must contain pay ratio information specified in paragraphs 19C to 19G.

(2) Where the company is a parent company, the pay ratio information must relate to the group and not the company, and references in paragraphs 19C, 19D and 19G to the company’s UK employees should be read as references to the UK employees of all the companies within the group.

Requirement to provide pay ratio information

19B.—(1) This paragraph applies to a company—

(a) in relation to its first financial year if the qualifying condition is met in that year;

(b) in relation to a subsequent financial year—

(i) if the qualifying condition is met in that year and was also met in relation to the preceding financial year,

(ii) if—

(aa) the qualifying condition is met in that year, and

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- (bb) the paragraph applied to the company in the preceding financial year, or
- (iii) if—
 - (aa) the qualifying condition was met in the preceding financial year, and
 - (bb) the paragraph applied to the company in the preceding financial year.
- (2) The qualifying condition is met by a company in a year in which the average number of UK employees of the company is more than 250.
- (3) The average number of UK employees of the company is determined as follows—
 - (a) find for each month in the financial year the number of UK employees in that month (whether employed throughout the month or not),
 - (b) add together the monthly totals, and
 - (c) divide by the number of months in the financial year.
- (4) Where the company is a parent company the average number of UK employees refers to the number of UK employees within the group.

Pay ratios table

19C.—(1) The directors’ remuneration report must set out in the form of the table in sub-paragraph (2) (“pay ratios table”) the following information for the relevant financial year—

- (a) in the first column, the year in which that financial year ends,
 - (b) in the second column, the method set out in paragraph 19D used by the company to determine Y25, Y50 and Y75, and
 - (c) in subsequent columns, the specified ratios (“pay ratios”).
- (2) The form of the pay ratios table is—

Pay ratios table

<i>Year</i>	<i>Method</i>	<i>25th percentile pay ratio</i>	<i>Median ratio</i>	<i>pay</i>	<i>75th percentile pay ratio</i>
[year]	[Option A, B or C]	(X/Y25):1	(X/Y50):1		(X/Y75):1

Where—

X is the remuneration of the director undertaking the role of chief executive officer (“CEO”), using the total for the CEO in the single total figure table. Where more than one person has undertaken the role of CEO in the relevant financial year, X means the total remuneration in the single total figure table paid to persons in relation to the period those persons were undertaking the role of CEO in the relevant financial year;

Y25 is the pay and benefits figure relating to P25;

Y50 is the pay and benefits figure relating to P50;

Y75 is the pay and benefits figure relating to P75.

- (3) In this paragraph and paragraphs 19D to 19G—

“P25” is a UK employee whose pay and benefits are on the 25th percentile of pay and benefits of the company’s UK employees for the relevant financial year;

“P50” is a UK employee whose pay and benefits are on the 50th percentile of pay and benefits of the company’s UK employees for the relevant financial year;

“P75” is a UK employee whose pay and benefits are on the 75th percentile of pay and benefits of the company’s UK employees for the relevant financial year;

“pay and benefits” of a UK employee means the employee’s full-time equivalent pay and benefits, calculating the applicable components in paragraph 7(1)(a) to (e) by reference to paragraph 10, save that in paragraph 7(1)(a) “salary” means “wages and salary”.

(4) If the relevant financial year is not the first financial year in which the requirement in sub-paragraph (1) applied to the company, the pay ratios table must also show, in separate rows, information for earlier financial years in accordance with sub-paragraphs (5) and (6).

(5) The earlier financial years for which information must be shown under sub-paragraph (4) are—

- (a) the first financial year in which the requirement in sub-paragraph (1) applied to the company and every subsequent financial year before the relevant financial year, or
- (b) if the application of paragraph (a) would require the company to show information in respect of more than nine earlier financial years, the nine financial years immediately preceding the relevant financial year.

(6) The information required to be shown by sub-paragraph (4) is—

- (a) for a financial year in which the requirement in sub-paragraph (1) applied to the company, the information that was required by that sub-paragraph to be included in the pay ratios table in respect of that financial year;
- (b) for a financial year in which that requirement did not apply, the year of that financial year and the statement “The company was exempt from reporting pay ratios for this financial year”.

Pay ratios methods

19D.—(1) The company must choose one of the methods set out in sub-paragraph (2) to determine the Y25, Y50 and Y75 figures to use in the pay ratios for the relevant financial year, but for a subsequent financial year may choose to use a different one of those methods.

(2) The methods for determining Y25, Y50 and Y75 are—

- (a) “Option A” set out in sub-paragraph (3),
- (b) “Option B” set out in sub-paragraph (4), or
- (c) “Option C” set out in sub-paragraph (5).

(3) Under Option A the company must calculate the pay and benefits of all its UK employees for the relevant financial year in order to identify P25, P50 and P75, and use the pay and benefits figures for those UK employees as Y25, Y50 and Y75.

(4) Under Option B the company must determine Y25, Y50 and Y75 as follows—

- (a) as a starting point, use the most recent hourly rate gender pay gap information for all UK employees of the company to identify three UK employees as the best equivalents of P25, P50 and P75,

- (b) use available data for the relevant financial year for the best equivalents to calculate the pay and benefits figures for each for the relevant financial year, and
 - (c) make any necessary adjustment to the pay and benefit figures to ensure that the best equivalents are reasonably representative of P25, P50 and P75 for the relevant financial year.
- (5) Under Option C the company may determine Y25, Y50 and Y75 as follows—
- (a) as a starting point, use data other than, or in addition to, gender pay gap information to identify three UK employees as the best equivalents of P25, P50 and P75, and in so doing—
 - (i) the company must not use data that relates to any year prior to the preceding financial year, and
 - (ii) if the company has gender pay gap information available, it must not use data that is less up to date than the gender pay gap information,
 - (b) use available data for the relevant financial year for the best equivalents to calculate the pay and benefits for each in relation to the relevant financial year, and
 - (c) make any necessary adjustment to the pay and benefit figures to ensure that the best equivalents are reasonably representative of P25, P50 and P75 for the relevant financial year.
- (6) When using any of the options, the company may—
- (a) determine Y25, Y50 and Y75 with reference to a day no earlier than three months before the last day of the relevant financial year, using a projected calculation of the salary component of pay and benefits;
 - (b) omit any component other than salary from pay and benefits to determine Y25, Y50 and Y75, provided the company includes in its report a statement required by paragraph 19E(f);
 - (c) calculate any component of pay and benefits, other than salary, using a different methodology than that set out in paragraph 10 to determine Y25, Y50 and Y75, provided the company includes in its report a statement required by paragraph 19E(g).
- (7) When using Option B or C, if the company does not have the data available for any component of pay and benefits corresponding to paragraph 7(1)(b) to (e), the company may use a reasonable estimate of that component to determine Y25, Y50 and Y75.
- (8) In this paragraph gender pay gap information means the most recent data collected in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017(1).

Additional requirements in respect of the pay ratios table

19E. The directors' remuneration report must set out the following information after the pay ratios table—

- (a) an explanation of why the company chose Option A, B or C as the preferred method for calculating the pay ratio for the relevant financial year,
- (b) if the company was required to report pay ratio information in the preceding financial year, and the company then used a different option to determine Y25, Y50 and Y75, an explanation for the change,

- (c) the day by reference to which the company determined Y25, Y50 and Y75,
- (d) where the company has used Option B—
 - (i) a brief explanation of how the best equivalents are reasonably representative of P25, P50 and P75, and
 - (ii) whether, and if so how, it has relied on the use of estimates or adjustments,
- (e) where the company has used Option C—
 - (i) the methodology used for estimating the best equivalents, describing any estimates, adjustments, or material assumptions, and
 - (ii) a brief explanation of how the best equivalents are reasonably representative of P25, P50 and P75,
- (f) where the company has omitted any component from pay and benefits in reliance on paragraph 19D(6)(b), the component omitted and the reason for the omission, and if the company omitted any component in the previous financial year, whether the company has continued to omit that component,
- (g) where the company has used a different methodology from that set out in paragraph 10 to calculate a component of pay and benefits, a description of the different methodology and why the methodology in paragraph 10 was not used,
- (h) a brief explanation of any assumptions or statistical modelling used to determine full-time equivalent remuneration.

19F. The directors' remuneration report must set out the following figures for each of Y25, Y50, and Y75 after the information required by paragraph 19E—

- (a) total pay and benefits, and
- (b) the salary component of total pay and benefits.

19G. The directors' remuneration report must set out a summary for the relevant financial year after the information required by paragraph 19F, explaining—

- (a) any reduction or increase in the relevant financial year's pay ratios compared to the pay ratios of the preceding financial year (if the company recorded pay ratio information for that financial year),
- (b) whether a reduction or an increase in a pay ratio is attributable to a change in—
 - (i) the remuneration of the CEO, or the pay and benefits of the company's UK employees taken as a whole;
 - (ii) the company's employment models (including any increase in the proportion of the company's employees employed to work wholly or mainly outside the UK, and any increase in the proportion of the company's workforce that is not employed by the company under contracts of service);
 - (iii) the use of a different option to calculate Y25, Y50 and Y75,
- (c) any trend in the median pay ratio over the period of financial years covered by the pay ratios table, and
- (d) whether, and if so why, the company believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the company's UK employees taken as a whole."