
D R A F T S T A T U T O R Y I N S T R U M E N T S

2013 No. XXXX

COMPANIES

The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013

Made - - - - *****
Coming into force - - *1st October 2013*

The Secretary of State makes the following Regulations in exercise of the powers conferred by sections 421(1), (2) and (2A), 422A(4) and 1292(1)(a) and (c) of the Companies Act 2006(a).

In accordance with sections 473(3) and 1290 of that Act, a draft of this instrument was laid before Parliament and approved by a resolution of each House of Parliament.

Citation and commencement

1. These Regulations may be cited as the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and come into force on 1st October 2013.

Amendment to regulation 11 of the principal Regulations

2.—(1) In these Regulations, “the principal Regulations” means the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008(b).

(2) Regulation 11 of the principal Regulations is amended as follows.

(3) After regulation 11(1) insert —

“(1A) The revised directors’ remuneration policy document which directors of a company may prepare in accordance with section 422A of the 2006 Act must contain the information specified in Schedule 8 to these Regulations, and must comply with any requirements in that Schedule as to how that information is to be set out.”.

(4) For regulation 11(2) substitute—

“(2) In Schedule 8—

Part 1 is introductory,

Part 2 relates to the statement to be made by the chairman of the remuneration committee,

Part 3 relates to information about single total figure for remuneration, loss of office payments, remuneration committees and directors’ shareholdings,

(a) 2006 c.46. Section 421 was amended by section 70(1) of the Enterprise and Regulatory Reform Act 2013 (c.xx). Section 422A was inserted by section 70(2) of that Act.

(b) S.I. 2008/410. There are amendments to this instrument which are not relevant to these Regulations.

Part 4 relates to the directors' remuneration policy,
Part 5 identifies the information included in the report that is required to be reported on by the auditor,
Part 6 relates to the revised directors' remuneration policy (see section 422A of the Act),
Part 7 is interpretative and supplementary.”.

(5) In regulation 11(3) for the words from “the part” to “Part 3 of” substitute “information set out in the report identified in Part 5”.

Substitution of Schedule 8 to the principal Regulations

3. For Schedule 8 to the principal Regulations substitute the provisions set out in the Schedule to these Regulations.

Transitional provision

4. (1) The provisions of Schedule 8 as set out in this Schedule shall, apply to the directors' remuneration report of a quoted company required to be laid before the company in general meeting in accordance with section 437 of the Companies Act 2006 at the accounts meeting to be held in the first financial year of the company which begins on or after 1st October 2013.

(2) The provisions of Part 6 of Schedule 8 as set out in the Schedule to these Regulations shall apply to a revised directors' remuneration policy set out in a document in accordance with section 422A (3) of the Companies Act 2006 and put to the company in a general meeting held after 1st October 2013 but before the date of the accounts meeting set out in paragraph (a) above.

Name

Parliamentary Under Secretary of State for Economic and Consumer Affairs

Date

SCHEDULE

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, subject to sub-paragraph (2), be shown the information specified in Parts 2, 3, and 4.

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

(3) Where the directors' remuneration policy is omitted from the report, there shall be set out in the report a statement containing the following information –

(a) the date of the last general meeting of the company at which such a resolution was moved by the company in respect of the company's directors' remuneration policy and at which that policy was approved;

(b) where on the company's website or other place a copy of that directors' remuneration policy may be inspected by the members of the company.

(4) 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.

(5) Nothing in this Schedule prevents the directors setting out in the report any such additional information as they think fit.

PART 2

STATEMENT BY CHAIR OF REMUNERATION COMMITTEE

2. The directors' remuneration report must contain a statement by the chair of the remuneration committee of the key messages on remuneration and the context in which decisions have been taken, and the major changes during the year.

PART 3

INFORMATION OTHER THAN THE DIRECTORS' REMUNERATION POLICY

Single total figure of remuneration for each director

3.—(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 4 below the information prescribed by paragraph 5 below.

(2) References to remuneration are to remuneration for performing, or agreeing to perform, qualifying services.

(3) References to remuneration for non-executive directors are to remuneration for being, or agreeing to become, a director.

(4) The report may provide a separate table in the form set out in paragraph 4 for the purposes of distinguishing the information to be supplied in respect of non-executive directors.

4. The form of the table required by paragraph 3 is—

| Single Total Figure Table (£'000) | | | | | | |
|--|----------|----------|----------|----------|----------|--------------|
| | a | b | c | d | e | Total |
| Director 1 | xxx | xxx | xxx | xxx | xxx | xxx |
| Director 2 | xxx | xxx | xxx | xxx | xxx | xxx |

5. The table shall contain, before the column headed “total”, such other additional columns which shall set out -

(a) if applicable, the amount of any other items in the nature of remuneration which are not set out in columns (a) – (e);

(b) any sub-totals or other matters which the directors consider aid the clarity of understanding of the table.

6. Where such additional columns are included in accordance with paragraph 5(a) above, there shall be set out in a note to the table the basis on which the figures in the column were calculated, and other such details as are necessary for an understanding of the sums set out in the column.

7.-(1) In the table described in paragraph 4, 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 in respect of qualifying services;

(b) in the column headed “b” all taxable benefits;

(c) in the column headed “c”- all pension related benefits in respect of qualifying services including—

(i) cash paid in lieu of pension provision;

(ii) benefit in year from participating in money purchase schemes;

(iii) benefit in year from participating in a defined benefit scheme;

(d) in the column headed “d”, money or other assets received or receivable for the reporting period as a result of the achievement of performance conditions that relate to that period other than—

(i) those which will result from awards made in a previous period and where final vesting is determined as a result of the achievement of performance conditions relating to the year being reported on (or shortly after the end of that financial year), or

(ii) those receivable subject to the achievement of performance conditions in a future reporting period;

(e) in the column headed “e” money or other assets received or receivable for multiple reporting periods where—

(i) final vesting is determined as a result of the achievement of performance conditions that end in the year being reported on or shortly after the end of that period; and

- (ii) the final value is not dependent on the achievement of further performance conditions;
 - (f) the column headed “total”, the total amount of the sums set out in the previous columns.
- (2) Where estimated figures are used in the table for the current financial year that figure shall be reported as an actual figure when it is set out in the relevant column in the table in the next year’s report, and that amount shall not be included in the column relating to the next financial year.
- (3) Where any money or other assets reported in the table in the directors’ remuneration report prepared in respect of any previous financial year are reduced or clawed back for any reason in the financial year being reported on, then the reduction or clawback so attributable may be shown in a separate column as a negative value and deducted from the column headed “total”.
- (4) Where any item is shown as a negative value in accordance with paragraph 7(3), there shall be a note to the table explaining the reason for the reduction and how it was calculated.

8. Other than in the first year in which a company prepares a report as a quoted company, each column in the table shall contain the figure set out in that column in the report prepared in respect of the financial year preceding the relevant financial year, and the figure for the financial year in respect of which the report is prepared.

9.-(1) The measurement methods to be used to calculate the sums specified in paragraph 7 are—

- (a) for column “a”, cash paid to or receivable by the person in respect of the financial year,
- (b) for column “b”, the taxable value,
- (c) for column “c”,—
 - (i) for item (i) the cash value;
 - (ii) for item (ii) the cash value of any contribution to the scheme in respect of the person that is paid or payable by or on behalf of the company for the relevant financial year or is paid by or on behalf of the company in that year for another financial year;
 - (iii) for item (ii) where there has not been a contribution to the scheme in respect of the person by or on behalf of the company, the additional value achieved in year calculated using the HMRC method;
 - (iv) for item (iii) the additional value achieved in year calculated using the HMRC method and where the value of the annual pension is capitalised using a multiplier of 20;
- (d) for column “d”, the total cash equivalent including any amount deferred, other than any item falling within (e) below,
- (e) for column “e”, as appropriate—
 - (i) the cash value of any monetary award;
 - (ii) the value of any shares or share options awarded, calculated by—
 - (X) multiplying the original number of shares granted by the percentage that will vest based on current year performance (or best estimate)
 - (XY) multiplying the total arrived at in (X) by the market value of shares at the date of vesting;

(iii) the value of any additional cash or shares receivable in respect of dividends accruing (actually or notionally) in relation to amounts in (i) or (ii).

(2) For the purposes of the calculation (XY) in sub-paragraph (1)(e)(ii) where full vesting is not achieved by the date on which the remuneration report is signed off, an estimate of the value of the benefit shall be calculated on the basis of an average market value over the last quarter of the reporting year.

(3) Where the award was an award of share options, the cash amount the individual was or will be required to pay to purchase the share will be deducted from the total arrived at in sub-paragraph 9(1)(e) (ii).

Definitions applicable to the table

10.—(1) “Benefits” in paragraph 7(b) 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), 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) Benefits received in advance of a director commencing qualifying services are to be treated as if received on the first day of the contract under which the person is employed, or under which the payment is to be made.

(3) “HMRC method” means the amount of the increase in the value of the lump sum that the individual is entitled to under the pension scheme as calculated under s234 of Part 4 of the Finance Act 2004 whether the scheme is a defined benefits scheme within paragraph 7(c)(iii) or a money purchase scheme within paragraph 7(c)(ii).

(4) For the purposes of paragraph 7(3) as it applies to paragraph 9(c)(iii) the assumption applies that all of the rights that the individual is entitled to would be used to provide a lump sum.

Additional disclosures

11.—(1) For every element of variable pay included in the columns headed “d” and “e” of the table described in paragraph 4, there shall be set out after the table the relevant details (see sub-paragraph (2)) of any amount that has been reported on.

(2) In sub-paragraph (1) “the relevant details”, in relation to any variable remuneration that have become receivable, means—

- (a) details of any performance conditions and the relative weighting of each;
- (b) within each performance condition, the targets set when the performance condition was agreed and corresponding value of the award achievable; and
- (c) for each performance condition, performance against the targets set for that condition measured over the relevant reporting period.

(3) Where the company has exercised a discretion in respect of any element of pay in the columns headed “d” and “e”, there shall also be set out how the discretion was exercised.

(4) There shall also be set out how the resulting level of award was determined.

12. For each item in column “d” of the table in paragraph 4 the company will report if any element was deferred, the percentage deferred and whether it was deferred in cash or shares, if relevant.

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, contain the information in respect of pensions that is specified in sub-paragraphs (2) – (4).

(2) Where the person has rights under a pension scheme that is a defined benefit scheme in relation to the person and any of those rights are rights to which he has become entitled in respect of qualifying services of his, the details of the person's accrued benefits under the scheme as at the end of that year, assuming a normal retirement date and the date the benefit becomes receivable.

(3) The total value of any additional benefit that will become receivable to a director in the event that that director retires early.

(4) Where a person has rights under more than one type of pension benefit identified in column "c" of the table in paragraph 4, the relative weighting of each type of benefit.

Variable pay awarded in respect of the financial year where the value will be determined according to the achievement of performance conditions in future periods

14.—(1) The directors' remuneration report must 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,
 - (v) the percentage that would vest at threshold performance,
 - (vi) maximum percentage of the face value which could vest where that amount is more than the face value;
 - (vi) the end of the period over which the performance conditions for that interest have to be fulfilled (or if there are different periods for different conditions, 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) "Face value" in paragraph (1)(b)(iii) means the maximum number of shares that would vest if all performance conditions are met multiplied by the average market value.

Payments within the reporting year to past directors

15. The directors' remuneration report must contain details of any money or other assets (other than payments reported under paragraph 16) made in the relevant financial year to any person who was not a director of the company at the time the award was made but had previously been a director of the company, excluding any sums which have already been shown in the report in the table required by paragraph 3.

Statement of performance targets

16.—(1) Where the company chooses not to put the directors' remuneration policy required by Part 4, to a resolution under section 439A at an accounts meeting, it shall (if it has not set out in accordance with paragraph 25(3) in the last approved policy the

performance targets for the financial year in which that meeting is held) the details of the performance targets for that year.

(2) Nothing in this paragraph requires the disclosure of information about any matter if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the company.

Loss of office payments

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

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

Statement of directors' shareholding and share interests

18. The directors' remuneration report must, in respect of each person who was a director in the financial year, set out –

- (a) any requirements on the director to own shares in the company and state whether or not those requirements have been met;
- (b) in tabular form or forms –
 - (i) the total number of shares in the company beneficially owned by the director;
 - (ii) details of scheme interests (not including the interests included in the table in paragraphs 3 and 14 of this Schedule) differentiating between those with and those without performance conditions;
 - (iii) details of the shares subject to share options which are unexercised.

Performance graph

19.- (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) For the purposes of sub-paragraphs (1), (4) and (9), “relevant period” means the specified financial years of which the last is the relevant financial year.
- (3) Where the relevant financial year—

- (a) is the company's first financial year for which the directors' remuneration report is prepared in accordance with this Schedule, "specified" in sub-paragraph (2) means "five"; and
 - (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 (2) means "six", "seven", "eight", "nine" as the case may be;
 - (c) is any financial year after the fifth financial year in which the report is prepared in accordance with this Schedule, "specified" means "nine".
- (4) 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 (5) as to reinvestment of income, and
 - (ii) the assumption specified in sub-paragraph (7) as to the funding of liabilities, and
 - (c) makes provision for any replacement of shares in the holding by shares of a different description;
- and the same method must be used for each of the holdings mentioned in sub-paragraph (1).
- (5) 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.
- (6) In sub-paragraph (5) "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.
- (7) 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.
- (8) In sub-paragraph (7) "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.
- (9) The report shall also set out in tabular form the following information for each of the financial years in the relevant period in respect of the chief executive officer—
- (a) total remuneration as set out in the single figure table;
 - (b) annual variable element award rates against maximum opportunity (used in the single figure for the relevant year);

- (c) multiple reporting period variable element award rates against maximum opportunity (used in determining the single figure in the relevant year).

Percentage increase in remuneration of chief executive officer

20.—(1) The directors' remuneration report must also set out the percentage increases from the financial year preceding the relevant financial year in the total remuneration of the chief executive officer as set out in the single figure table and that of all of the employees of the company taken as a whole .

(2) Where this is considered by the company as an inappropriate comparator, such other comparator group of employees identified by the company, with a statement setting out why that group was chosen.

(3) Where the company is a parent company, the statement shall relate to the group and not the company, and the chief executive officer reported on shall be the chief executive officer of the parent company.

Relative importance of spend on pay

21.—(1) The directors' remuneration report must set out in graphical form the percentage spend on (and amounts)—

- (a) profit retained in the company;
- (b) profit as distributed by way of dividend or share buyback, ;
- (c) overall expenditure on pay identifying within that figure, the overall spend on pay for directors, being the aggregate of the single figure for the financial year;
- (d) tax paid that financial year.

(2) "Profit", "dividend", "expenditure" and "overall expenditure on pay" shall have the same meaning as is relevant in respect of the preparation of the accounts of the company.

(3) "Share buyback" shall mean profit as distributed by way of dividend or an expenditure on the buyback of shares.

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) how the remuneration committee has satisfied themselves that the advice received was objective and independent;

(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 (b) and the other services referred to in (c)(i) 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) The above provision also applies to a committee which considers remuneration issues during the consideration of an individual’s nomination as a director.

Statement of shareholder voting

23. The directors’ remuneration report must contain a statement setting out in respect of the last general meeting at which such a resolution was put by the company —

- (a) in respect of the resolution to approve the directors remuneration report, of the votes cast, the percentage of votes for, against and number of abstentions:
- (b) in respect of the resolution to approve the directors remuneration policy, of the votes cast, the percentage of votes for, against and number of abstentions:
- (c) where in either (a) or (b) there were substantial shareholder votes against the resolution, where known to the company, the reasons for that vote and any actions taken by the directors in response to that.

PART 4

DIRECTORS’ REMUNERATION POLICY

24.—(1) The provisions of this Part required to be set out in the directors’ remuneration report shall be set out in a separate part of that report and shall constitute the directors’ remuneration policy of the company for the purposes of the provisions of the Companies Act 2006.

(2) Where a directors’ remuneration policy is to be put to a meeting of the company for approval and it is intended that provisions of the last approved director’s remuneration policy shall continue to apply after the approval of the policy, this fact shall be stated in the policy and it shall be made clear which provisions shall 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 shall set out all those matters necessary to be contained in the policy for the purposes of the application of Chapter 4A of Part 10 of the Companies Act 2006.

Future policy table

25.—(1) The directors’ remuneration report must contain in a tabular form a description of each of the elements comprised in the remuneration package for the directors of the company, other than the matters covered by paragraph 29.

(2) Where the company chooses to comply with paragraph (1) by setting out the information as it applies generally to all directors, the table shall include any arrangements which are specific to an individual director.

26.— (1) In respect of each of the elements described in the table there shall be set out the following information—

- (a) how that element supports the short and long-term strategic objectives of the company (or group):
- (b) an explanation of how that element of the remuneration package operates including whether there are any provisions for the recovery of sums paid or the withholding of the payment of any sum;

- (c) the maximum potential value;
- (d) what performance measures, if any, are used, the relative weighting of each and the period of time over which they are measured.

27.-(1) There shall accompany the table notes which—

- (a) explain the differences (if any) in the company's policy on the remuneration of directors from the remuneration of employees generally (both within the company, or where the company is a parent company, the group);
- (b) in respect of any scheme required to be reported on within paragraph 7(1) (d) and (e) above, explain why any performance conditions were chosen;
- (c) if any entitlement of a director in respect of any such scheme is not subject to performance conditions, an explanation of why that is the case;

(d) if that element did not form part of the remuneration package in the last directors' remuneration policy which was approved by members in accordance with the provisions of sections 439A or (where the policy was a revised policy) in accordance with section 442A of the Companies Act 2006, why that element is now contained in the remuneration package; and

(e) in respect of any item which did form a part of such a package, what changes have been made and why.

(2) In respect of the measures referred to in paragraph 26(d) above, there should be included a description of both the measure and any relevant target.

(3) The targets for the first year in which the policy is to operate (and where possible any following years) shall be set out, and in respect of following years, where the necessary information does not yet exist and targets cannot be set out, there shall be set out an indication of the approach that will be taken to setting those targets and how it is intended those targets shall relate to the targets set for the first year.

(4) Nothing in this paragraph requires the disclosure of information about any matter if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the company.

28. In respect of non-executive directors, the table shall set out the fee to be paid to that director and such other items as are to be considered in the nature of remuneration under that person's letter of appointment.

Approach to recruitment remuneration

29. – (1) The directors' remuneration policy must contain a statement of the principles which the company would apply to agreeing a remuneration package for the appointment of new directors.

(2) This statement must set out the various elements which would be considered by the company for inclusion in that package and the approach of the company to each element.

(3) The statement must set out the maximum level of salary which may be awarded, expressed as a percentage of the salary of the highest paid director as ascertained by reference to the single figure table in the report put to the accounts meeting in the year in which the recruitment is made.

Service contracts

30. The directors' remuneration policy must contain, in respect of the provisions of the directors' service contracts, a description of any obligation on the company:-

(a) which is either contained in all existing directors' service contracts or is contained in the service contracts of one or more existing directors; or

(b) which it is proposed would be contained in directors' service contracts entered into in the future where such contracts are on terms consistent with the company's policy,

which could give rise to, or impact on, remuneration or loss of office payments but which are 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 shall give details of where the company records are kept, and if the contracts are available on a website, a link to that website.

32. The provisions of paragraph 27 relating to directors' service contracts apply equally to the terms of a person's letter of appointment as a director.

Scenarios

33. The director's remuneration report shall set out in the form of a chart, and in respect of each director (other than a non-executive director) an indication of what could be received under the policy set out in the accompanying table in different circumstances.

34. Each chart needs to show three scenarios in the following format:

- (a) minimum, that is to say, fixed elements of pay;
- (b) on-target or on-plan, that is to say, providing an indication of what the policy would pay out if the director was performing in line with expectation, plan, or budget;
- (c) maximum, that is to say, total remuneration including fixed elements, and all variable elements where these variable elements paid out in full

35. Within each bar of the chart there are three components shown, with each individual component representing:

- (a) fixed elements;
- (b) annual variable element;
- (c) multiple reporting period elements, to include share based awards or options.

36. Each scenario bar would set out:

- (a) percentage of each component, that is, . fixed, annual variable element, and multiple reporting period element; and
- (b) total remuneration expected for each scenario.

37. The measurement basis for each component is as follows:

- (a) salary, that is to say, salary at the time of preparing the scenario;
- (b) benefits, that is to say, last known figure as set out in single figure table excluding any one-offs.;
- (c) pension, that is to say, single figure value where defined benefit, otherwise if cash in lieu or contributory, figure calculated based on policy set out in policy table calculated against latest confirmed salary;
- (d) share based awards valued at face value and where share based awards, there should be no allowance for share price appreciation;

- (e) options, which are to be measured using an appropriate valuation method an explanation of which is set out in the report.

38. A narrative description of the assumptions underpinning the scenario charts is to be set out to enable an understanding of the charts presented.

Loss of office payment policy

39. The directors' remuneration policy must summarise and explain the company's policy on—

- (a) the duration of contracts with directors, and
- (b) notice periods, and termination payments, under such contracts.

40. The directors' remuneration policy must also state the policy on which the determination of the termination payment will be made including—

- (a) how each element of the payment will be calculated;
- (b) any contractual provision agreed prior to the commencement of these regulations that could impact on the quantum of the payment; and
- (c) the approach to consideration of the circumstances under which a director leaves and how his performance during his period of service is to be taken into account.

Statement of consideration of conditions elsewhere in company

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

42. The statement must also set out whether, and if so, how, the company consulted with employees when drawing up this policy part.

43. The statement must also set out—

- (a) whether any comparison metrics were taken into account and if so, what those metrics were, and how that information was taken into account;
- (b) how these specific items of information were taken into account when determining directors' remuneration.

Statement of consideration of shareholder views

44. The company shall state whether, and if so how, any views expressed by shareholders in respect of remuneration either at the previous annual general meeting or during the financial year were have been taken into account in the formulation of the directors' remuneration policy.

PART 5

PROVISIONS OF THE REPORT WHICH ARE SUBJECT TO AUDIT

45.—(1) The auditable part of the report is that part which is required to be in the report by paragraphs 3 to 17 of Part 3 of this Schedule.

PART 6

REVISED DIRECTORS' REMUNERATION POLICY

46. The revised directors' remuneration policy shall contain all those matters required by Part 4 of this Schedule to be in the directors' remuneration policy.

47. The revised policy shall be set out in the same form as that which is used in the directors' remuneration report.

PART 7

INTERPRETATION AND SUPPLEMENTARY

48. – (1) Where in these Regulations there is a reference to a “director” the requirements of the report may be satisfied by complying with those requirements in such manner as to distinguish clearly between directors who are –

(a) non-executive directors and

(b) employed under a service contract or otherwise appointed and are in receipt of variable pay.

(2) References to “directors' service contract” shall be regarded as references to “letter of appointment” as applicable.

49. – (1) Any requirement of these Regulations may, in respect of non-executive directors, be omitted or otherwise modified where that requirement is not applicable given the nature of the appointment of such directors.

(2) Where any such information or other requirement is omitted or modified, the report shall explain why.

50.—(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;

“chief executive officer” means the director who undertakes that role in accordance with the company's articles;

“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;

“defined benefit scheme”, in relation to a person, means a pension scheme which is not a money purchase scheme in relation to the person;

“emoluments” of a person—

(a) includes 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),

(b) and any profit achieved but

(c) does 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 long term incentive scheme;

“money purchase scheme”, in relation to a person, means a pension scheme under which all of the benefits that may become payable to or in respect of the person are money purchase benefits in relation to the person;

“non-executive director” means a director who is appointed under a letter of appointment and does not perform executive functions;

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

- (a) operated on behalf of the company or
- (b) one to which the relevant company paid a contribution during the period of account;

“performance condition” means a requirement for performance to meet or exceed a performance target in respect of a performance measure;

“performance measure” is the qualitative condition by reference to which performance will be measured (for example, total shareholder return or earnings per share);

“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;
- (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 612(1) of the Income and Corporation Taxes Act 1988;

“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 under paragraph 7(d) 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 the 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’ 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.

(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.

51.—(1) 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.

(2) Where a pension scheme provides for any benefits that may become payable to or in respect of a person to be whichever are the greater of—

- (a) such benefits determined by or under the scheme as are money purchase benefits in relation to the person; and
- (b) such retirement benefits determined by or under the scheme to be payable to or in respect of the person as are not money purchase benefits in relation to the person,

the company may assume for the purposes of this Schedule that those benefits will be money purchase benefits in relation to the person, or not, according to whichever appears more likely at the end of the relevant financial year.

(3) In determining for the purposes of this Schedule whether a pension scheme is a money purchase scheme in relation to a person or a defined benefit scheme in relation to a person, any death in service benefits provided for by the scheme are to be disregarded.

52.—(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 him or a body corporate controlled by him (but not so as to require an amount to be counted twice).

53.—(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 35(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.

54. 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 Part of 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.

55. 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."

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations are made under section 421 of the Companies Act 2006 (c.46) (“the Act”) and substitute for Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) (“the 2008 Regulations”) a revised Schedule.

Regulation 3 substitutes the provisions of the Schedule to these Regulations for Schedule 8 of the 2008 Regulations and regulation 2 makes consequential amendments to regulation 11 of those Regulations.

The provisions of the Schedule contain the requirements for the content of the directors’ remuneration report required to be prepared in accordance with section 420 of the Act. It provides that the report shall contain a summary statement by the chairman of the remuneration committee, a report in respect of the past financial year and a statement of the future remuneration policy of the company.

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