

EXPLANATORY MEMORANDUM TO
THE COMPANIES (DIRECTORS' REMUNERATION AND AUDIT)
(AMENDMENT) REGULATIONS 2025

2025 No. [XXXX]

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Department for Business and Trade and is laid before Parliament in accordance with the Retained EU Law (Revocation and Reform) Act 2023.
- 1.2 This memorandum contains information for the Sifting Committees.

2. Declaration

- 2.1 Justin Madders MP, Minister for Employment Rights, Competition and Markets at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.
- 2.2 Andrew Death, Deputy Director for accounting, audit and non-financial reporting at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

- 3.1 Robin Mueller at the Department for Business and Trade can be contacted with any queries regarding the instrument (Telephone: 07500 890 872 or email: robin.mueller@businessandtrade.gov.uk or nfr.review@businessandtrade.gov.uk).

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

- 4.1 This instrument has two purposes. First, it repeals most requirements relating to the reporting of directors' remuneration by quoted companies¹ that were added in 2019 to implement part of a European Union (EU) Directive – EU 2017/828, known as the revised Shareholder Rights Directive². The requirements are being repealed because they overlap considerably with directors' remuneration reporting requirements that the UK introduced before 2019 and which continue in force.
- 4.2 Second, the instrument makes changes to the existing audit regulatory framework to address some gaps or inconsistencies in those regulations that have been identified by Government and the audit regulator, the Financial Reporting Council (FRC), such as in the powers of the UK audit regulator to regulate audits of UK traded companies that are incorporated overseas. These gaps and inconsistencies arose during the process of assimilating relevant EU audit legislation within the UK's legislative framework, following the UK's withdrawal from the EU.

¹ As defined in section 385 of the Companies Act 2006, and primarily including UK-incorporated companies with equity share capital trading on a regulated market and listed on the Financial Conduct Authority's Official List.

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017L0828>

Where does the legislation extend to, and apply?

- 4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.
- 4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom. The Northern Ireland Executive has agreed that, while the operation and regulation of business associations remains a transferred matter within the legislative competence of the Northern Ireland Assembly, amendments to the Companies Act 2006 and related legislation regulating business associations and the audit of their annual accounts by individuals and firms in the audit profession should be made in the same terms for the whole of the United Kingdom.

5. Policy Context

What is being done and why?

Repeal of certain requirements related to the reporting of UK quoted company directors' remuneration

- 5.1 The Companies Act 2006, and regulations made under it - Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008) - require UK quoted companies to make various disclosures regarding the pay of their directors. The disclosures are intended to help the shareholders of those companies understand how the companies' directors are incentivised to deliver success for the companies for the benefit of the shareholders.
- 5.2 The main requirements of the directors' remuneration reporting framework are: (i) an annual Directors' Remuneration Report, which sets out what each director was paid in the previous year; and (ii) a Directors' Remuneration Policy (published at least every three years) which sets out what executive directors might be paid in the following three years, depending on how they meet performance targets.
- 5.3 Requirements were added to this reporting framework in 2019 to implement Articles 9a and 9b of EU Directive 2017/828, known as the revised Shareholder Rights Directive. The requirements were added by the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019³.
- 5.4 Those requirements overlapped considerably with the reporting framework as it was before the Directive's implementation, or added no material value to shareholders, as explained in paragraph 6 below. This legislation removes most of these requirements, to avoid duplicative or unnecessary reporting which increases compliance costs for business while making it more difficult for shareholders to identify relevant information in remuneration reports.
- 5.5 The changes form part of wider action being taken by the Government to streamline the UK's non-financial reporting framework, as part of a Review of Non-Financial Reporting launched in May 2023⁴. Other reform measures are being implemented in a separate statutory instrument that the Government laid on 10th December 2024⁵.

³ <https://www.legislation.gov.uk/ukxi/2019/970/made>

⁴ <https://www.gov.uk/government/calls-for-evidence/smarter-regulation-non-financial-reporting-review-call-for-evidence>

⁵ <https://www.legislation.gov.uk/ukxi/2024/1303/contents/made>

Changes to audit regulations

5.6 This instrument makes changes to the Statutory Auditors and Third Country Auditors Regulations 2013⁶ and to the Statutory Auditors and Third Country Auditors Regulations 2016⁷, to correct some inconsistencies or gaps that have been identified by the Government and the FRC relating to the FRC's role in regulating audits of Public Interest Entities and of non-UK incorporated companies that trade securities on UK regulated markets.

5.7 A summary of the changes is set out below:

- (i) *Definition of "audit committee"*: The statutory definition of "audit committee" is contained in section 494A of the Companies Act 2006⁸ and provides that an audit committee is a body which performs functions specified in the Financial Conduct Authority's Disclosure and Transparency Rules⁹ and the Prudential Regulation Authority Rulebook¹⁰. This definition was not replicated in the Statutory Auditors and Third Country Auditors Regulations 2016, and it is unclear whether it therefore applies in the Audit Regulation¹¹ (which applies and has been amended as part of assimilated law in the UK following the UK's exit from the European Union). This instrument corrects this oversight and, at the same time corrects other minor issues with current wording in the Audit Regulation, including cross references to provisions that did not become part of UK law upon exit, or were immediately repealed, and including references to Member State authorities. These amendments are revocations without replacement.
- (ii) *Powers of the audit regulator to oversee third country audits*: The Statutory Auditors and Third Country Auditors Regulations 2016 currently constrain the FRC's ability to carry out audit inspections overseas by not allowing the FRC to inspect the audit of a UK-traded company incorporated in an "equivalent" or "transitional" third country, even if the audit authority in that country does not inspect the audit. Clarifying the scope of FRC's inspection remit for these audits will remove a loophole that can allow such third country audits to go uninspected, even though the company is traded on UK markets and is audited by a UK auditor. A clarification of the additional scope FRC has, in the definition of a "third country audit function" also makes clear that any audits beyond this, included by FRC in its remit, must only be of companies incorporated outside the UK. This facility allows FRC to inspect audits of companies traded on markets in equivalent or transitional third countries on behalf of regulators there, where the audit is by a UK auditor.
- (iii) *Power of the audit regulator to deregister third country auditors*: The Statutory Auditors and Third Country Auditors Regulations 2013 do not make clear if it is possible to deregister a third country auditor in a case where the auditor has not paid their registration fee, or where the auditor has requested to be removed from the register. The legislation provides that the FRC has powers to deregister third country auditors in those instances.
- (iv) *Audit regulator discretion in relation to "non-audit services" and auditor tendering and rotation*: Statutory auditors are not allowed to carry out certain "non-audit services" for a public interest entity they audit (such as providing tax advice) as this

⁶ <https://www.legislation.gov.uk/ukxi/2013/1672/contents/made>

⁷ <https://www.legislation.gov.uk/ukxi/2016/649/contents/made>

⁸ <https://www.legislation.gov.uk/ukpga/2006/46/section/494A>

⁹ <https://www.handbook.fca.org.uk/handbook/DTR/>

¹⁰ <https://www.prarulebook.co.uk/>

¹¹ <https://www.legislation.gov.uk/eur/2014/537/contents>

can create a conflict of interest. However, this prevents such auditors bidding to audit a company even if they intend to cease those non-audit services if their bid is successful. This instrument addresses this by amending a previously unused power to grant a narrow exemption in regulation 13A of the Statutory Auditors and Third Country Auditors Regulations 2016. The amended power provides the FRC with discretion to allow an auditor to submit an audit tender even if the audit firm currently provides prohibited non-audit services to the relevant public interest entity.

- (v) *Exemption from third country audit requirements for large debt securities issuers:* This instrument converts the minimum size threshold for a “large debt security” to pounds sterling and sets it a £70k for securities issued since the start of 2011 and £35k for securities issued before then in the definition of a “large debt securities issuer” in the Statutory Auditors and Third Country Auditors Regulations 2016. Non-UK auditors of non-UK incorporated companies that have only issued debt securities on UK regulated markets, all of which are denominated above these thresholds, will continue to be exempt from registration with FRC if these are the only types of UK-traded overseas company they audit.

What was the previous policy, how is this different?

- 5.8 The Government’s policy on the reporting of directors’ remuneration at UK traded and quoted companies continues to be that UK listed companies must: (1) disclose annually the remuneration of each director broken down by salary, any bonus, any long-term share incentive award, pension and other taxable benefits, and the ratio of their Chief Executive Officer’s pay to the company’s median, lower and upper quartile employee pay, subject to an adviser shareholder vote. and (2) publish a triennial directors’ remuneration policy subject to a binding shareholder vote. The only policy change is to revert to the pre-2019 position of companies which are traded but unquoted not being covered by this reporting framework, as explained in subparagraph (xii) under paragraph 6.1 below.

6. Legislative and Legal Context

How has the law changed?

Directors’ Remuneration Reporting Changes

- 6.1 This instrument makes the following changes to existing law, repealing directors’ remuneration reporting requirements:
- (i) *Comparison of each director’s annual pay change with average employee pay change.* This provision was previously in paragraph 19 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008¹² (“the 2008 Regulations”). It overlapped with a more detailed requirement to disclose and explain the annual ratio of the Chief Executive Officer’s total pay to the median, lower quartile and upper quartile pay of the company’s employees¹³ (paragraphs 19A-G of Schedule 8 to the 2008 Regulations).
 - (ii) *Requirement to disclose each director’s total fixed pay and total variable pay:* This provision was previously in paragraph 5 of Schedule 8 to the 2008 Regulations). It overlapped with a more detailed requirement to disclose the

¹² <https://www.legislation.gov.uk/ukxi/2008/410/schedule/8>

¹³ <https://www.legislation.gov.uk/ukxi/2008/410/schedule/8>

pay of directors broken down by salary, bonus, pension, share award and other benefits (paragraph 5 of Schedule 8 to the 2008 regulations).

- (iii) *Information on any changes to exercise price or date for any share options awarded to directors:* This provision was previously in paragraph 14 of Schedule 8 to the 2008 Regulations. It added little value compared to other requirements which provide information on share options¹⁴ (paragraph 14 of Schedule 8 to the 2008 Regulations).
- (iv) *Availability of Directors' Remuneration Report:* This required the Remuneration Report to be available on the company website for ten years and was previously in Section 430(4ZA) of the Companies Act 2006. It differed from requirements covering the availability of the whole Annual Accounts and Reports (section 430¹⁵ of the Companies Act 2006) and the Government considers that website publication requirements should be consistent across all documents forming the Accounts and Reports.
- (v) *Protection of sensitive personal data, including ethnic origin and political opinions:* This provision was previously in paragraph 2(2A) of Schedule 8 to the 2008 Regulations. Such data is given enhanced protection as "special category data" under the Data Protection Act 2018¹⁶ so this provision is not needed and it will continue to be the case that such data cannot be published in Remuneration Reports.
- (vi) *Information about any vesting or holding periods for share-based awards:* This provision was previously in paragraph 26(ba) of Schedule 8 to the 2008 Regulations). The UK Corporate Governance Code¹⁷ (provision 36) provides for information on vesting and holding periods (which cover the performance period relating to a share award and how long shares awarded must subsequently be held before they can be sold) so this provision is not needed.
- (vii) *Information on any deferral periods related to the award of directors' performance pay:* This provision was previously in paragraph 26(b) of Schedule 8 to the 2008 Regulations. The Remuneration Report will continue to provide information on the deferral of any pay awards made to executive directors over the previous year (paragraphs 10 and 12 of Schedule 8 to the 2008 Regulations).
- (viii) *Information on the duration of directors' service contracts:* This provision was previously contained in paragraph 30A of Schedule 8 to the 2008 Regulations. It overlapped with other reporting obligations covering directors' service contracts, including a requirement to disclose any obligation on companies in any director's contract (paragraph 30 of Schedule 8 to the 2008 Regulations).
- (ix) *Information about the Remuneration Policy decision-making process:* This provision was previously contained in paragraph 24(1A) of Schedule 8 to the 2008 Regulations. It overlapped with requirements covering the work of the Remuneration Committee, in both the 2008 Regulations and the Corporate

¹⁴ 'Share options' grant an option to buy a share at a pre-determined price after a certain period of time (e.g. a performance period) has passed.

¹⁵ <https://www.legislation.gov.uk/ukpga/2006/46/section/430>

¹⁶ Section 10 of the Data Protection Act 2018 -

<https://www.legislation.gov.uk/ukpga/2018/12/part/2/chapter/2/crossheading/special-categories-of-personal-data>

¹⁷ <https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code/>

Governance Code (paragraphs 3 and 22 of Schedule 8 to the 2008 Regulations, and section 5 of the Code).

- (x) *Information about shareholder vote on Directors' Remuneration Policy:* This provision was previously contained in Section 430(2C) of the Companies Act 2006. It overlapped with provisions that require UK traded companies to put the dates and results of all shareholder votes on their website within 16 days of the vote (Section 341¹⁸ of the Companies Act 2006).
 - (xi) *Payments to directors outside Remuneration Policy:* The legislation reverts to a prior (pre-2019) provision that payments not consistent with a Policy must first be approved by shareholders¹⁹ by amending Sections 226A, B, C, D and E of the Companies Act 2006. The provision being replaced required the Policy be changed to accommodate any one-off payment, which was unduly bureaucratic.
 - (xii) *Inclusion of unquoted traded companies within Directors' Remuneration Report and Policy requirements:* This instrument removes “unquoted companies” from the directors’ remuneration reporting requirements contained in Schedule 8 to the 2008 Regulations and in the Companies Act 2006²⁰²¹. Unquoted traded companies²² are companies with shares trading on a regulated market but whose shares are not quoted on the Official List of the Financial Conduct Authority. There are currently only 8 UK-incorporated “unquoted traded companies”, all of which do not have executive directors, and their non-executive directors are paid an annual fixed fee only. Since the Remuneration Report provisions aim to help shareholders scrutinise performance pay for executive directors, it is disproportionate to include unquoted traded companies that do not have executive directors within the Directors’ Remuneration Report requirements. Such companies will still be subject to baseline remuneration reporting requirements, including disclosing the highest paid director’s pay²³.
- 6.2 The instrument does not repeal the following two requirements that were added in 2019 in order to implement the remuneration provisions in the revised Shareholder Rights Directive: (i) a requirement that if a company loses a shareholder vote on a proposed new Directors’ Remuneration Policy, it must bring an updated Policy to a new vote within a year²⁴; and (ii) a requirement that the Directors’ Remuneration Report and Policy must cover the remuneration of a company’s Chief Executive Officer even if she or he is not a director of the company²⁵. The Government agrees with investors that those two requirements usefully address potential loopholes that existed in the remuneration reporting framework prior to 2019.

Changes to audit regulations

- 6.3 This instrument uses powers in the Retained EU Law (Revocation and Reform) Act 2023 to revoke and replace provisions of secondary assimilated law on the statutory

¹⁸ <https://www.legislation.gov.uk/ukpga/2006/46/section/341>

¹⁹ Chapter 4A of Part 10 of the Companies Act 2006 - <https://www.legislation.gov.uk/ukpga/2006/46/part/10/chapter/4A>

²⁰ In particular, Sections 215, 226A-E, 420, 426A, 430, 431, 433, 439, 439A and 446.

²¹ [Companies Act 2006](#)

²² As defined in section 360(C) of the Companies Act 2006

²³ Schedule 5 to the 2008 regulations (disclosure needed where all directors’ pay exceeds £200k)

²⁴ Paragraph 2A of Section 439A of the Companies Act 2006

²⁵ Paragraph 2(8) of Schedule 8 to the 2008 Regulations

audit of UK public interest entities and overseas incorporated companies that trade securities on UK regulated markets. The Government has concluded that, to resolve this small number of deficiencies in assimilated law, it is sufficient to make targeted amendments to the existing legislation. These are intended to improve the effectiveness of the framework at meeting its original intended objectives rather than to reform regulation of the audits affected.

Why was this approach taken to change the law?

Directors' Remuneration Reporting Changes

- 6.4 In order to repeal the previous remuneration reporting requirements listed in Paragraph 6.1 above, it was necessary to amend the relevant sections of the Companies Act 2006 and Schedule 8 to the 2008 Regulations which contained those requirements.

Changes to audit regulations

- 6.5 The provisions on audit regulation amended by this instrument only apply to limited numbers of specialist businesses. They became familiar, during the UK's membership of the EU, with navigating the relevant interlinked framework of regulations that has resulted from UK regulations supplementing the Companies Act 2006, which had been supplemented further by directly applicable laws made by the EU, and which are now assimilated into UK law. This instrument therefore does not reopen the question of the most appropriate location of the relevant provisions within the audit regulatory framework or of the structure itself.
- 6.6 This instrument also does not reopen questions such as whether audits of public interest entities should be subject either to mandatory tendering or the prohibition of provision of certain non-audit services alongside the audit. However, it does replace a previous narrow exemption to allow some specific non-audit services to be provided in certain circumstances. FRC could have provided a narrow exemption in auditing standards, prior to this amendment, had it been thought of sufficient use. The new exemption is wider, given the freedom the UK now has, having left the European Union, but it may only be granted in each particular case at FRC's discretion upon application. Similarly new FRC inspection and deregistration powers are limited to cases in need of clarification because situations have arisen in practice that were not provided for when the relevant EU law was retained and assimilated.

7. Consultation

Summary of consultation outcome and methodology

- 7.1 The removal of the remuneration reporting requirements described in paragraph 5.6 has been informed by a Non-Financial Reporting Review Call for Evidence, launched in May 2023, as referenced in paragraph 5.5 above. The Call for Evidence lasted twelve weeks and sought views on the costs and benefits of existing non-financial reporting. The Department for Business and Trade (DBT) met 60 organisations and received 160 written responses, including from companies and business groups, investors, civil society organisations, academics and private individuals. Around 80% of responses said that non-financial reporting was useful in providing transparency and accountability in how companies are run. However, all respondent groups said that non-financial reporting is complex and would benefit from simplification. On the directors' remuneration reporting framework specifically, a number of businesses, trade bodies and professional advisory firms said it was duplicative and unduly

complex, and that there was significant scope for it to be streamlined and simplified. All the comments the Department received about remuneration were to the effect that the requirements should be simplified, and duplication removed.

- 7.2 DBT officials subsequently met a wide range of interested stakeholders between November 2023 and January 2024 to test the proposal to remove the directors' remuneration reporting requirements described in paragraph 6.1 (as well as to test proposals to make other changes which are being implemented by the Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024). Most of this engagement was held with business groups (as the group most impacted by non-financial reporting) and with investors (as the primary users of non-financial reporting). Discussions also took place with professional advisory firms, legal experts and think tanks. Stakeholders that DBT officials met were overwhelmingly in favour of these changes.
- 7.3 DBT worked closely with the FRC, as the relevant regulator, throughout the review.
- 7.4 On the changes to audit regulations made by this legislation, DBT met with stakeholders with interests in the audits of public interest entities and UK-traded overseas companies both during and following the EU exit process. These stakeholders included large audit firms that are part of international networks that audit companies in jurisdictions overseas. They also included UK chartered accountancy institutes, which represent the interests of a wider range of firms; UK investor representatives and representatives of UK businesses that prepare accounts and reports. Regular discussions have also continued with regulatory bodies, particularly the FRC, but also including the Financial Conduct Authority and others. While there has been general support for reform of audit regulation in some areas, this has been aimed at other parts of the regulatory framework and intended to address significant issues beyond the objectives of the amendments made by this legislation. Stakeholders support the maintenance of a clear and well-functioning framework of audit regulation. DBT will seek opportunities to make improvements, when possible, to support its continued smooth operation.
- 7.5 The Department has also consulted with the Department of the Economy in Northern Ireland as company law is formally a transferred matter in Northern Ireland and this legislation extends to Northern Ireland with the agreement of the Northern Ireland Executive.

8. Applicable Guidance

- 8.1 No guidance is being published with this instrument.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

- 9.1 The changes made by this instrument are assessed within an Impact Assessment that covers both this legislation, and the Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024, and which is published on [legislation.gov.uk](https://www.legislation.gov.uk)²⁶. The Impact Assessment does not quantify the costs and benefits of changes to remuneration reporting requirements and audit regulation on the basis that: (i) the remuneration requirements being repealed were not subject to an impact assessment when originally introduced in 2019 because their impact was negligible in

²⁶ <https://www.legislation.gov.uk/uksi/2024/1303/impacts>

terms of quantifiable costs and the impact of their repeal is therefore also assumed to be negligible in terms of quantifiable costs, and (ii) the audit changes are technical in nature with no direct ongoing impacts on UK business. The Impact Assessment nonetheless notes that the repeal of the remuneration reporting requirements is likely to save around two pages from the typical Directors' Remuneration Report. It also assesses the familiarisation costs of the changes to the exemption from providing certain non-audit services, demonstrating that these costs are not such that the overall impact of this SI, if made on its own, would require more than de minimis assessment.

- 9.2 The legislation does not impact small or micro businesses.
- 9.3 There is no impact on charities or voluntary bodies or the public sector since the remuneration reporting applies only to quoted companies and the audit changes are made in respect of the audit regulator's powers over quoted companies and credit and insurance firms.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

- 10.1 As this instrument is made under the relevant European Union Acts (as defined at 13.1), no review clause is required. However, the Department for Business and Trade intends to carry out an administrative review of the changes to the directors' remuneration reporting framework, as part of a wider administrative review of other changes to non-financial reporting made under the Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

- 11.1 This instrument is being laid for sifting by the Sifting Committees as it includes changes made under the Retained EU Law (Revocation and Reform) Act 2023 and is proposed to be subject to approval under the negative procedure.

12. European Convention on Human Rights

- 12.1 The Minister for Employment Rights, Competition and Markets at the Department for Business and Trade has made the following statement regarding Human Rights:

“In my view the provisions of The Companies (Directors’ Remuneration and Audit) (Amendment) Regulations 2025 are compatible with the Convention rights.”

13. The Relevant European Union Acts

- 13.1 This instrument is made, in part, under sections 14(1) and (2) of the Retained EU Law (Revocation and Reform) Act 2023 and therefore relates to the reform of assimilated law. The Minister has made any relevant statements, below, under the 2023 Act.

Sifting statement

- 13.2 The Minister for Employment Rights, Competition and Markets at the Department for Business and Trade has made the following statement regarding use of legislative powers in the Retained EU Law (Revocation and Reform) Act 2023:

“In my view The Companies (Directors’ Remuneration and Audit) (Amendment) Regulations 2025 should be subject to annulment in pursuance of a resolution of either House of Parliament (i.e. the negative procedure) because it does not affect the continuing objectives of the statutory frameworks covering the reporting of directors’ remuneration and the regulation of auditing.

In the case of directors’ remuneration reporting, the legislation maintains the long-standing policy objective of shareholders in quoted companies being able to scrutinise the details of directors’ remuneration paid and proposed. The means of scrutiny include shareholder votes on the Directors’ Remuneration Report and Policy, and annual disclosure of every director’s total pay broken down into its different component parts. While maintaining these scrutiny provisions, the legislation also uses powers in the Retained EU Law (Revocation and Reform) Act 2023 to replace a previously cumbersome method of shareholders approving any payment to directors that is inconsistent with the Remuneration Policy. This is the only amendment made by this instrument to primary legislation which “replaces” a provision that has been removed from the framework and therefore relies on the power in section 14(2) of the Retained EU Law (Revocation and Reform) Act 2023. The replacement method provides that shareholders must directly approve any such payment (whereas the previous method required the whole Policy to be revised and approved again which added nothing, since the new policy would contain nothing new except for the proposed one-off payment). The change does not in any way dilute shareholders’ power to approve or veto a proposed payment to a director outside the Policy. Investors have advised that this method of approving one-off payments is preferable as it means that any such payments do not form part of the Policy going forward, meaning that companies must again seek shareholder approval if they wish to make any further such extraneous payments.

In the case of the changes made to audit regulation, these are intended only to make sure the framework meets its existing objectives more effectively than previously. The replacement provisions included using the power in section 14(2) of the Retained EU Law (Revocation and Reform) Act 2023 are intended to: further enable the FRC to carry out its existing statutory duties to inspect as necessary audits by UK statutory auditors of non-UK incorporated companies with securities traded on UK markets; enable UK audit firms to tender for audits of public interest entities, ensuring competition, without this being prevented unnecessarily due to rules on the provision of non-audit services applying before the appointment; and finally to make sure that the definition of an audit committee clear in assimilated law on the audit of accounts.”

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