

Consequential Changes to the Listing Rules resulting from the BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations

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We are asking for comments on this Consultation Paper by 9 October 2013.

You can send them to us using the form on our website at:
www.fca.org.uk/your-fca/documents/consultation-papers/cp13-07-response-form.

Or in writing to:

Kate Hinchy
Markets Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Email: fca-cp13-07@fca.org.uk

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

You can download this Consultation Paper from our website: www.fca.org.uk. Or contact our order line for paper copies: 0845 608 2372.

Abbreviations used in this paper

BIS	Department for Business, Innovation & Skills
CA	Companies Act 2006
DTR	Disclosure and Transparency Rule
FCA	Financial Conduct Authority
LR	Listing Rule

1. Overview

Introduction

- 1.1** This consultation paper sets out our proposals for consequential changes to the Listing Rules in response to the new Directors' Remuneration Reporting Regulations¹ and Narrative Reporting Regulations.²

On 1 October 2013, the Department for Business, Innovation and Skills ("BIS") will implement new Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations. During its consultation process, BIS highlighted crossover issues between Chapter 9 of the Listing Rules ("LRs") and the new Regulations. In response to this, we have taken the opportunity to revisit existing Listing Rule requirements and assess whether it would be appropriate for us to make any changes to current Chapter 9 requirements and ensure the Listing Regime does not impose unnecessary requirements on Issuers within scope of these new BIS Regulations. In particular, we conducted detailed analysis on the comparability between LR9.8.8R requirements and the Directors' Remuneration Reporting Regulations (see Appendix 1).

- 1.2** After analysing the BIS Directors' Remuneration Reporting Regulations, we conclude that, overall, the proposed Regulations do not appear to impose substantially different requirements to those set out in the Listing Rules. To avoid duplication and to ease the administrative burden on issuers, we propose removing those listing rules relating to directors' remuneration where the Regulations provide substantially the same outcome, unless the relevant listing rule applies equally to premium listed UK and premium listed overseas incorporated companies. We wish to maintain the current regime for premium listed overseas incorporated companies that are not within scope of the new Regulations in order to ensure that the relevant information remains available to investors. As a result, in relation to most remuneration related disclosures, a premium listed company incorporated in the UK will only need to comply with the new BIS Directors' Remuneration Reporting Regulations when making disclosures regarding directors' remuneration. However, we propose to maintain the current requirements for premium listed overseas incorporated issuers.
- 1.3** In relation to the BIS Narrative Reporting Regulations, we have identified a required consequential amendment to a listing rule and are proposing to update the wording to replace references to 'summary financial statements' with references to 'strategic reports with supplementary information'.

1 Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 available in draft version at: www.legislation.gov.uk/ukdsi/2013/9780111100318/schedule accessed 25 July 2013

2 The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 available in draft version at: www.legislation.gov.uk/ukdsi/2013/9780111540169/contents accessed 25 July 2013

- 1.4** We intend to implement our rule changes on 1 January 2014 and these changes will be applicable to any premium listed company incorporated in the UK with a financial year ending on or after that date. UK incorporated listed companies with a financial year ending before 1 January 2014 will be required to comply with the current Listing Rule requirements.

Who does this consultation affect?

- 1.5** This paper will be of interest to:
- UK and overseas premium listed issuers or issuers considering a premium listing of their securities;
 - firms and sponsors advising issuers of premium listed securities; and
 - firms or persons investing in or dealing in premium listed securities.

Is this of interest to consumers?

- 1.6** This paper will be of interest to consumers who deal and invest in premium listed securities either directly or indirectly through institutions, and also those investors who currently receive summary financial statements, instead of a full annual report and accounts.

Context

- 1.7** Making responsive changes to the Listing Rules may reduce the administrative burden for a premium listed company incorporated in the UK. Having to comply primarily with only one set of requirements in relation to the disclosure of directors' remuneration should ensure a more simple and effective regime.
- 1.8** The issue of potential overlap between the existing Listing Rules and the new BIS Directors' Remuneration Reporting Regulations arose in response to the BIS consultation in June 2012. We believe this issue is already familiar to interested parties.

Summary of our proposals

- 1.9** Following analysis of the new BIS requirements, we propose removing directors' remuneration type rules where the new BIS Directors' Remuneration Reporting Regulations produce a substantially similar outcome. Specifically, we propose removing LR 9.8.8R (with the exception of LR9.8.8R (9)), LR 9.8.11R and LR 9.8.12R. These rules are only applicable to premium listed companies incorporated in the UK. We will retain LR 9.8.8R (9), which is applicable to both premium listed UK and premium listed overseas issuers, in order to maintain the current requirements for premium listed overseas issuers.

- 1.10** We also propose updating LR 9.8.13R in response to the Narrative Reporting Regulations and changing the existing references to 'summary financial statements' to 'strategic report with supplementary information', to reflect the new requirement for the production of a strategic report.
- 1.11** The proposed changes impact premium listed companies incorporated in the UK, all of which fall within the scope of the new BIS Regulations. There will be no reduction in the current transparency and disclosure requirements for premium listed overseas incorporated companies.
- 1.12** The consultation period for these proposals will be six weeks.

Equality and diversity considerations

- 1.13** We are proposing to remove listing rules applicable only to premium listed companies incorporated in the UK that fall within the scope of the new BIS Directors' Remuneration Reporting Regulations. No premium listed overseas incorporated companies will be affected. This Consultation Paper is of low relevance to the diversity agenda and a full Equality Impact Assessment does not need to be completed.

Next steps

- 1.14** We want to know what you think of our proposals. Please send us your comments by **9 October 2013** using the online response form on our website.
- 1.15** We intend to publish our feedback later in the year.

2. An outline of the new BIS Regulations and their impact on the Listing Rules

Introduction

- 2.1** This chapter summarises the background to, and requirements of, the new BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations. It also provides some history to the inclusion of directors' remuneration type rules in Chapter 9 of the Listing Rules. By providing this background information, we intend to demonstrate how the new Regulations impose similar requirements to the existing listing rules in certain areas and what the impact of these Regulations will be on Chapter 9.

The new Directors' Remuneration Reporting Regulations

- 2.2** In June 2012 and March 2013, BIS consulted on its proposals for new Directors' Remuneration Reporting Regulations that will revoke and replace Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410), which will come into force 1 October 2013.

The new Directors' Remuneration Reporting Regulations will ensure that investors are better informed about how much directors have been (and will be) paid along with how this relates to company performance. The Directors' Remuneration Reporting Regulations (in conjunction with amendments being made to the Companies Act 2006 which introduce a binding vote on the directors' remuneration policy) will provide greater transparency and empower shareholders.

- 2.3** As stated by BIS during its consultation, the main changes to the existing regulations include:
- A pay policy, which will be subject to the new legally binding vote.
 - An illustration of the level of awards that could be paid out for various levels of performance.
 - All elements of a director's pay will be reported in a single, cumulative figure. The regulations define how this should be calculated so that all companies are consistent in their approach.
 - Improved disclosure on the performance conditions used to assess variable pay of directors.
- 2.4** The new directors' remuneration report will be in three parts:
1. The directors' remuneration policy, laid out as a distinct section, which sets out the company's remuneration policy and key factors shaping it. This has to be approved by a binding shareholder vote at least every three years. In particular, this section will include a table presenting and explaining key components of pay, how that is linked to different levels of performance, disclosures regarding directors' service contracts, remuneration scenarios

dependent on company and individual performance, and principles guiding loss of office payments and remuneration of newly recruited directors.

2. An annual implementation report, which will be subject to an annual advisory vote. In particular, this report will disclose a cumulative single figure for remuneration for each director, exit payments made in a reporting year and total shareholdings for each director.
3. An annual statement from the chair of the remuneration committee, which summarises the major decisions on directors' remuneration, any substantial changes to directors' remuneration during the relevant year, and the context in which those changes occurred or decisions were taken.

The new Narrative Reporting Regulations

- 2.5 In September 2011 and October 2012, BIS consulted on its proposals for new Narrative Reporting Regulations. The final provisions will be implemented through The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 on 1 October 2013.
- 2.6 The new narrative reporting requirements introduce the requirement for directors of a company to prepare a strategic report. Section 414C of the Companies Act 2006 sets out the detailed contents requirements of the report and includes (but is not limited to) the following:
 - report on diversity;
 - social, community and human rights issues;
 - environmental matters; and
 - business model and strategy.
- 2.7 In addition, the Regulations amend sections 426 and 426A of the Companies Act 2006. Currently, provided certain statutory conditions are met, a company can provide shareholders with a 'summary financial statement' instead of a full annual report and accounts. However, as a result of changes made by the Regulations to the Companies Act 2006, a company can instead provide a 'strategic report with supplementary information', instead of a full annual report and accounts.
- 2.8 The intention of introducing such narrative reporting requirements is to create a clear and more simplified regime.

Chapter 9 Listing Rules

- 2.9 The directors' remuneration related rules were incorporated into the Listing Rules following a recommendation made in the 1995 Greenbury Report for the London Stock Exchange (which had responsibility for the Listing Rules at that time) to implement the provisions of the 'Code of Best Practice'. The report recommended that extensive disclosure regarding remuneration should be included in a company's annual report. These rules are now found in Chapter 9 of the Listing Rules, which sets out the overall continuing obligations for a company that has a premium listing of equity shares.

- 2.10** Following feedback during the BIS consultation in June 2012, and our own detailed comparison, it is apparent the new BIS Directors' Remuneration Reporting Regulations impose similar requirements to the existing directors' remuneration related rules set out in Chapter 9.
- 2.11** In a 'Frequently Asked Questions' paper published by BIS in March 2013³, it was stated 'The UK Listing Authority will consider how the Listing Rules need to be updated in light of the reforms being made by company law'. The introduction of the BIS Directors' Remuneration Reporting Regulations provided the opportunity to revisit directors' remuneration related rules in Chapter 9 and assess whether it is still appropriate for us to maintain these when the new BIS Directors' Remuneration Reporting Regulations will impose requirements that have substantially the same outcome.
- 2.12** Our proposals are intended to be responsive changes to the new BIS Regulations with the objective of eliminating the need to comply with two similar sets of requirements for UK premium listed issuers. We do not intend to change the current Listing Rules requirements for premium listed overseas issuers in any way. Taking this into account, we focused on rules applicable only to UK incorporated premium listed companies.

When considering these two sets of requirements, we noted some overlap in respect of the disclosure of directors' interests contained in LR9.8.6R(1) and paragraph 17 of Schedule 8 of the Directors' Remuneration Reporting Regulations. However, we will keep LR9.8.6R(1) due to the cross reference to the Disclosure and Transparency Rule (DTR) requirements for the disclosure of transactions by persons discharging managerial responsibilities and their connected persons.

- 2.13** In its September 2012 consultation, BIS highlighted the overlap of the existing LR9.8.4R(10) and LR9.8.6R(2) requirements and the obligations under the new Narrative Reporting Regulations. However, we propose retaining both of these rules.

LR9.8.4R(10) applies to all premium listed companies, including those incorporated overseas. As we want to maintain current obligations for premium listed overseas issuers, this rule will remain in its current form.

LR9.8.6R(2) cross refers to the DTR 5 requirements. We want to retain the cross reference to the vote holder and issuer notification rules, therefore we do not intend to delete this rule.

Hence, we are only proposing one consequential change to LR 9.8.13R in response to the Narrative Reporting Regulations.

³ Directors' Remuneration Reforms Frequently Asked Questions March 2013 available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/158048/13-727-directors-remuneration-reforms-faq.pdf accessed 21 August 2013

3. Proposed Changes

Introduction

- 3.1** Our proposed changes will only affect listing rules applicable to premium listed companies incorporated in the UK. The current requirements for premium listed overseas incorporated companies will remain unaltered as they do not fall within the scope of the new BIS Directors' Remuneration Reporting Regulations and it is our intention to maintain the current disclosure regime for premium listed overseas incorporated issuers. Both BIS Regulations will apply to UK incorporated 'quoted' companies (Companies Act definition)⁴ with a financial year ending on or after 30 September 2013, while the revised listing rules will apply to premium listed companies incorporated in the UK with a year ending on or after 1 January 2014. This chapter sets out the proposed changes in detail.

Proposals

- 3.2** Following detailed comparison of the current listing rule requirements and the Directors' Remuneration Reporting Regulations (refer to Appendix 1), it became apparent there would be two sets of requirements which have substantially similar outcomes (see Appendix 1 to this paper). To ease the administrative burden of complying with very similar rules, we are proposing removing listing rules where, we believe, the new BIS rules will impose obligations which achieve similar outcomes.
- 3.3** Removing directors' remuneration related listing rules, with the exception of those that apply equally to UK and premium listed overseas incorporated companies, would mean that in relation to most remuneration related disclosures, premium listed companies incorporated in the UK will need to comply only with the new BIS Directors' Remuneration Reporting Regulations.
- 3.4** Taking all of this into account, and considering the comparison table outlined in Appendix 1 to this paper, we propose deleting almost all of LR9.8.8R. LR9.8.8R applies to premium listed companies incorporated in the UK. These all fall within the scope of the new BIS Directors' Remuneration Reporting Regulations. We believe the requirements set out in this section of Chapter 9 of the Listing Rules produce substantially the same outcome as the new BIS Directors' Remuneration Reporting Regulations and it seems unnecessary to retain these. We do, however, propose to maintain LR9.8.8R(9) as this rule is also applicable to premium listed overseas incorporated issuers and we want to maintain the current regime for these issuers.

⁴ A 'quoted company' means a company whose equity share capital:
(a) has been included in the official list in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000 (c. 8), or
(b) is officially listed in an EEA State, or
(c) is admitted to dealing on either the New York Stock Exchange or the exchange known as Nasdaq.
In paragraph (a) 'the official list' has the meaning given by section 103(1) of the Financial Services and Markets Act 2000.

Q1: Do you agree with the proposal to delete LR9.8.8R(1), (2), (3), (4), (5), (6), (7), (10) and (11)?

- 3.5** From the detailed analysis in Appendix 1, it can be noted that the requirements under the new Directors' Remuneration Reporting Regulations differ from the existing requirements under LR9.8.8R(8). This listing rule requires the disclosure of the details of any director's service contract with a notice period in excess of one year or with provisions for pre-determined compensation on termination which exceeds one year's salary and benefits in kind. This rule also requires the justification of such notice period. The new BIS Regulations require the disclosure of any service contract obligations but only with impact on pay or compensation for the loss of office. However, if we consider the separate requirements for disclosure of service contracts in the Companies Act 2006 together with the new Regulations, then those disclosure requirements taken as a whole are similar to LR9.8.8R(8). Therefore we propose removing this listing rule.

Q2: Do you agree with the proposal to delete LR9.8.8R(8) where the disclosure of directors' service contracts requirements differ to the requirements of the new Directors' Remuneration Reporting Regulations?

- 3.6** The new Directors' Remuneration Reporting Regulations require calculation of an aggregate pension input amount using a different methodology from that specified in LR9.8.8R(12) and does not provide an alternative. Despite this difference in approach, we believe that substantially the same outcome is reached and we therefore propose removing LR9.8.8R(12).

Q3: Do you agree with the proposal to delete LR9.8.8R(12) despite the differences between those requirements and the new Directors' Remuneration Reporting Regulations?

- 3.7** LR 9.8.8R (9), is applicable to both premium listed UK and premium listed overseas issuers. We do not propose changing the current regime for non-UK incorporated premium listed companies. These fall outside the scope of the new BIS Directors' Remuneration Reporting Regulations so we propose retaining this rule. The proposed changes are intended to lessen the administrative burden for issuers subject to both the new BIS Directors' Remuneration Reporting Regulations and the existing Listing Rule requirements.

Q4: Do you agree with the proposal to retain LR9.8.8R(9) to maintain the existing regime for premium listed overseas issuers?

- 3.8** In proposing deletion of almost all of LR9.8.8R we considered consequential changes that would have to be made. Both LR9.8.11R and LR9.8.12R, which relate to the scope of the auditor's review of information and disclosures contained in the annual report, cross refer to LR9.8.8R and would, therefore, be redundant following our proposed amendment. Therefore, we also propose deleting LR9.8.11R and LR9.8.12R. We also propose to delete the reference to LR9.8.8R in LR9.8.9R as it is no longer relevant.

Q5: Do you agree with our proposal to delete LR8.8.11R and 9.8.12R and amend LR9.8.9R as a consequence of deleting the LR9.8.8R requirements?

- 3.9** As previously mentioned, the Narrative Reporting Regulations replace the ability of a company to provide shareholders with a 'summary financial statement' (in place of a full annual report and accounts, subject to certain conditions being met), with the ability to provide 'a strategic report with supplementary information' (in place of a full annual report and accounts, subject to certain conditions being met). LR9.8.13R refers to 'summary financial statements' and we propose amending this rule to change that reference to 'strategic report with supplementary information'. However, we will maintain the existing obligations under LR9.8.13R(1) and (2).

Q6: Do you agree with our proposal to amend LR9.8.13R and refer to the 'strategic report with supplementary information' whilst maintaining the existing obligations under LR9.8.13R(1) and (2)?

- 3.10** We propose maintaining LR9.8.6R(2) as it cross refers to the DTR 5 requirements and we wish to retain the cross reference to vote holder and issuer notification rules.

Q7: Do you agree with our proposal to maintain LR9.8.6R(2)?

- 3.11** Subject to feedback, the proposed changes to the Listing Rules set out above will come into effect on 1 January 2014 and they will apply to premium listed issuers incorporated in the UK with a year-end on or after this date. Premium listed issuers with a year-end before this date will have to comply with the existing Listing Rule requirements.
- 3.12** This means premium listed issuers with a year-end falling in the period 30 September 2013 to 31 December 2013 will have to comply with both sets of requirements from 1 October 2013 (date of implementation of the BIS Regulations) to 31 December 2013.

Annex 1

Cost benefit analysis

- 1.** We do not anticipate these proposals having any significant cost implications. The purpose of amending the Listing Rules in response to the implementation of the new BIS Regulations is to ease the administrative burden of complying with two sets of rules producing a substantially similar outcome and to make any necessary consequential changes.
- 2.** Sections 138I and 138J of the Financial Services and Markets Act (FSMA) requires us to publish a cost benefit analysis of the implications of the proposed amendments. The requirement, under sections 138I and 138J of FSMA, does not apply if there will be no significant increase in costs.
- 3.** Therefore, no detailed cost benefit analysis has been carried out.

Annex 2

Compatibility statement

Compatibility with the FCA's general duties

This Annex follows the requirements set out in section 138I of the Financial Services and Markets Act 2000 (FSMA) as amended by the Financial Services Act 2012.

When consulting on new rules, the FCA is required by section 138I FSMA to include an explanation of why it believes making the proposed rules is compatible with its strategic objective, advances one or more of its operational objectives, and has regard to the regulatory principles in s.3B FSMA. The FCA is also required by s.138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

This Annex also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.

This Annex also includes our assessment of the equality and diversity implications of these proposals.

The FCA's objectives and regulatory principles

1. The proposals set out in this consultation are compatible with the FCA's strategic objective of ensuring that the relevant markets function well, as they assist in ensuring that the Listing Regime remains effective. The proposals set out in this consultation are primarily intended to advance our operational objectives of:
 - Enhancing market integrity – protecting and enhancing the integrity of the UK financial system by ensuring that the Listing Regime remains proportionate and effective.
 - Delivering consumer protection – maintaining and securing an appropriate degree of protection for consumers, by ensuring that an appropriate level of information continues to be made available to investors in listed securities in the annual financial report.
2. In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in s.3B FSMA.

The need to use our resources in the most efficient and economic way

We believe that the proposals in this consultation paper will have minimal impact on our resources.

The principle that a burden or restriction should be proportionate to the benefits

We believe the proposals in this consultation paper will ease the administrative burden on issuers of listed securities.

The desirability of sustainable growth in the economy of the United Kingdom in the medium or long term

We believe the proposed rule changes do not undermine this principle.

The general principle that consumers should take responsibility for their decisions

We believe that our proposals do not undermine this principle.

The responsibilities of senior management

When publishing their annual financial reports, premium listed issuers incorporated in the UK will be subject to the new rule changes and must comply accordingly. Therefore, the boards of directors of UK incorporated premium listed companies should consider the revised Listing Rule requirements.

The desirability of exercising our functions in a way that recognises differences in the nature and objectives of businesses carried on by different persons

We believe that our proposals do not undermine this principle. Our proposed rule changes only affect premium listed issuers incorporated in the UK. Listing Rule requirements for premium listed overseas issuers will remain the same.

The desirability of publishing information relating to persons

We believe that our proposals do not undermine this principle.

The principle that we should exercise our functions as transparently as possible

We also consider our proposed rule amendments will continue to set out the Listing Rule requirements on issuers of premium listed securities in a transparent manner. We also believe our proposals retain a requirement in the Listing Rules which aids transparency, through continuing to require that certain information is made available to investors in listed securities in the annual financial report.

Compatibility with the duty to promote effective competition in the interests of consumers

In preparing the proposals as set out in this consultation, we have had regard to the FCA's duty to promote effective competition in the interests of consumers under section 1B(4) FSMA.

Expected effect on mutual societies

Section 138K of the Financial Services and Markets Act 2000 requires us to state whether in our opinion our proposed rules have a significantly different impact on authorised persons who are mutual societies, in comparison with other authorised persons. The relevant listing rules that we propose to delete or amend apply equally to premium listed issuers regardless of whether they are an authorised person which is a mutual society or another authorised person.

We therefore believe that the impact of our proposals would not significantly differ depending on whether a premium listed issuer is:

- an authorised person which is a mutual society; or
- another authorised person.

Equality and diversity

We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we conduct an equality impact assessment to ensure that the equality and diversity implications of any new policy proposals are considered.

Our equality impact assessment suggests that our proposals do not result in direct discrimination for any of the groups with protected characteristics i.e. age, disability, gender, pregnancy and maternity, race, religion and belief, sexual orientation and transgender, nor do we believe that our proposals should give to rise to indirect discrimination against any of these groups. We would nevertheless welcome any comments respondents may have on any equality issues they believe may arise.

Annex 3

List of questions

- Q1:** Do you agree with the proposal to delete LR9.8.8R(1), (2), (3), (4), (5), (6), (7), (10) and (11)?
- Q2:** Do you agree with the proposal to delete LR9.8.8R(8) where the disclosure of directors' service contracts requirements differ to the requirements of the new Directors' Remuneration Reporting Regulations?
- Q3:** Do you agree with the proposal to delete LR9.8.8R(12) despite the differences between those requirements and the new Directors' Remuneration Reporting Regulations?
- Q4:** Do you agree with the proposal to retain LR9.8.8R(9) to maintain the existing regime for premium listed overseas issuers?
- Q5:** Do you agree with our proposal to delete LR8.8.11R and 9.8.12R and amend LR9.8.9R as a consequence of deleting the LR9.8.8R requirements?
- Q6:** Do you agree with our proposal to amend LR9.8.13R and refer to the 'strategic report with supplementary information' whilst maintaining the existing obligations under LR9.8.13R(1) and (2)?
- Q7:** Do you agree with our proposal to maintain LR9.8.6R(2)?

Appendix 1

Comparison of Listing Rules 9.8.8R and the new BIS Directors' Remuneration Reporting Regulations

Please note that analysis of the Regulations is provided solely for the purpose of comparison against the requirements of the relevant listing rules.

Listing Rule (LR) requirements & reference	BIS Regulations requirements & reference	Comparability Outcome
<p>LR 9.8.8R(1): Statement of the listed company's policy on executive directors' remuneration.</p>	<p>Note: references are to the relevant section of the revised Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013.</p> <p>3(a): The requirement to disclose the major decisions on directors' remuneration.</p> <p>23(b) and (c): Details of the outcome of the remuneration policy vote and related explanations.</p> <p>24: Details of the current remuneration policy, including all the matters for which the company requires approval under the Companies Act 2006.</p> <p>25(1): In a 'future policy table', the disclosure in a tabular form of each of the components of the remuneration package which are comprised in the directors' remuneration policy, including the description of the performance framework and maximums to be used when proposing each component.</p> <p>(26) and (28): The Regulations require disclosures for executive and non-executive directors.</p> <p>33-34: The disclosure in a bar chart form of what level of remuneration would be received by the director in accordance with the directors' remuneration policy for different levels of performance.</p>	<p>Whereas LR9.8.8R(1) requires disclosure for executive directors, the BIS Regulations also require disclosures in relation to non-executive directors.</p> <p>The new BIS Regulations require disclosure on the performance framework used to set each component of directors' remuneration, and the maximum values of each element set by the policy.</p> <p>The Regulations also require disclosure of major decisions that shaped the remuneration policy and the outcome of the relevant remuneration policy vote. This is more detailed disclosure than that currently set out under LR9.8.8R(1).</p> <p>The LRs require annual disclosure of the remuneration policy, whereas the BIS regulations do not require disclosure of the policy in the directors' remuneration report if there has not been a vote, and, therefore, it has not been changed. However, under the BIS regulations, the company does have to make it clear where that policy can be found and read.</p> <p>Overall, we consider the new BIS Regulations to prescribe more detailed disclosure, and consequently propose removing LR9.8.8R(1).</p>

Listing Rule (LR) requirements & reference	BIS Regulations requirements & reference Note: references are to the relevant section of the revised Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013.	Comparability Outcome
<p>LR 9.8.8R(2)(a): The disclosure in a tabular form of the amount of each element in the remuneration package for each director, including but not restricted to, basic salary and fees, the estimated money value of benefits in kind, annual bonuses, deferred bonuses, compensation for loss of office and payments for breach of contract or other termination payments. The requirement for explanatory notes if needed.</p>	<p>4: The disclosure in a single total figure table (4(5)) of each element of compensation for each executive and non-executive director received or receivable for the period under review. These include 7.1(a) the total amount of salary and fees, 7.1(b) all taxable benefits and 7.1(c) & (d) money or other assets received as a result of the achievement of performance measures and targets.</p> <p>6(1)(a): The requirement for the disclosure of any other elements of remuneration (within the table) not covered by the required columns of the single figure table.</p> <p>12 (1): The requirement for a summary of the types and significant values of benefits that contributed to the disclosure of all taxable benefits.</p> <p>12(2): The requirement to disclose the relevant details such as performance measures, discretion used in relation to performance related awards. 12(5): the requirement for disclosure of the basis for calculating the sums for additional columns for remuneration items not explicitly mentioned by the Regulation.</p> <p>14: The disclosure of scheme interests during the relevant financial year (scheme interests here is intended to refer to long-term incentive plans).</p> <p>16(a): The disclosure of the total amount of any payment for loss of office with an explanation how each component was calculated.</p>	<p>LR9.8.8R(2)(a) and the BIS Regulations require tabular form disclosure of each element of the remuneration package including salary, fees, bonuses and benefits. Equivalent requirements can also be found in respect to compensation for the loss of office, a breach of contract or any other termination payments. Both regimes require disclosure of any other form of remuneration not explicitly mentioned in the rules.</p> <p>LR 9.8.8R(2)(a) permits the estimated value of benefits in kind, whereas the BIS Regulations do not make explicit reference to the accuracy of the calculation but instead focus on the disclosure of all taxable benefits.</p> <p>Both sets of requirements necessitate explanations of the figures disclosed, however the new Regulations are more prescriptive in stating the content of the explanatory notes.</p> <p>The BIS Regulations also make distinction between executive and non-executive directors.</p> <p>We consider that both sets of requirements, although not identical, do provide a similar outcome. Therefore, we propose deleting this Listing Rule.</p>
<p>LR 9.8.8R(2)(b): The disclosure of the total remuneration for each director for the current and previous reporting period.</p>	<p>4: Requires the disclosure of each component of each director's remuneration as a single total figure.</p> <p>7(f): Requires the disclosure of the total amount of remuneration.</p> <p>9(1): Requires a comparison to be made with the previous year's figures.</p>	<p>The Listing Rule and the new BIS Regulations provide substantially the same outcome and we, therefore, propose deleting this Listing Rule.</p>
<p>LR 9.8.8R(2)(c): The disclosure of significant payments made to former directors during the period under review.</p>	<p>15: Requirement to disclose details of any payments of money or other assets to any person who was not a director of the company at the time the payment was made, but who had been a director of the company before that time. However, under 15(d), the company can set a de minimis threshold and state this in the report.</p>	<p>Both the LR and the BIS Regulations require disclosure of payments to former directors. We, therefore, propose deleting LR9.8.8R(2)(c).</p>

Listing Rule (LR) requirements & reference	BIS Regulations requirements & reference	Comparability Outcome
<p>LR 9.8.8R(2)(d): The disclosure of any share options, including save-as-you-earn options, for each director, by name, in accordance with the requirements of the Directors' Remuneration Report Regulations.</p>	<p>14: For each current and former director, the disclosure of scheme interests including share options disclosing the difference between 14(3) face value price and 14(b)(v) exercise price per share.</p> <p>17: For each current and former director, the disclosure of any shares (b)(i) and share options (b)(iv) for each person who has served as a director of the company at any time during the reporting year.</p>	<p>LR9.8.8R(2)(d) cross refers to the BIS requirements. However, it needs to be noted that the new BIS Regulations are less prescriptive than the current BIS regulations.</p> <p>We propose deleting LR9.8.8R(2)(d) as we consider the BIS Regulations to be adequate.</p>
<p>LR 9.8.8R (3): Details of any long-term incentive schemes, other than share options, including the interests of each director, by name, in the long-term incentive schemes.</p> <p>LR 9.8.8R (4): Details of any entitlements or awards granted and commitments made to each director under any long-term incentive schemes during the period, showing which crystallize either in the same year or in subsequent years.</p> <p>LR 9.8.8R (5): Details of the monetary value and number of shares, cash payments or other benefits received by each directors under any long-term incentive schemes at the end of the period.</p> <p>LR 9.8.8R (6): Details of the interest of each director in the long-term incentive schemes at the end of the period.</p>	<p>14: The requirement for each director and former director to disclose the details of scheme interest (including share options) awarded during the financial year including among others the details of 14(1)(i) the type of the interest awarded, (ii) the basis on which the award is made, (iii) the face value of the award, (iv) the percentage of scheme interests that would be receivable if the minimum performance was achieved, and (v) for share options the difference between the share value and exercise value.</p> <p>7(1)(c): For each current or former director money or other assets received or receivable for the relevant financial year as a result of the achievement of performance measures within a single year.</p> <p>7 (1)(d): For each current or former director, the disclosure of money or other assets received or receivable for periods of more than one financial year where final vesting is performance dependent (7 (1)(d)).</p> <p>17: For each current and former director the requirement to disclose in a tabular form (17(b)(ii)) the total number of scheme interests and details of share options which are vested but unexercised and exercised in the relevant financial year.</p>	<p>LR 9.8.8R(5) and Paragraph 14 of the revised Schedule 8 require disclosure of interests in long-term incentive schemes awarded to each director in a relevant reporting year.</p> <p>Additionally, LR 9.8.8(3) and Paragraph 17 of the revised Schedule 8 mandate the disclosure of the total interests of directors in the reporting period. The new BIS Regulations also require inclusion of share options.</p> <p>LR 9.8.8R(4) requires disclosure of entitlements granted or committed to each director crystallising in the same or subsequent financial years. This is also covered in paragraph 7 of the revised Schedule 8 with the exception of non-performance related disclosures for the current financial year.</p> <p>Paragraph 17 of the revised Schedule 8 focuses on the benefits from the schemes during the period, whereas LR9.8.8R(5) requires a disclosure of the amount left or valuation at the end of each period.</p> <p>There are slight differences between the two sets of requirements here. However, on balance we consider that the BIS Regulations are comprehensive enough for it to be reasonable and appropriate to delete these LR requirements.</p>

Listing Rule (LR) requirements & reference	BIS Regulations requirements & reference Note: references are to the relevant section of the revised Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013.	Comparability Outcome
LR 9.8.8R (7): The requirement to explain and justify any element of a directors' remuneration, other than basic salary, which is pensionable.	26: For each component of the remuneration package, the requirement to explain (26(b)) how each of these components operate, (26(a)) how it supports the strategic objectives of the company, (26(d)) where applicable the framework used to assess the performance, (27(a)) justification of the metrics used, and (27(b)) explanation why aspects of remuneration are not subject to performance measures.	LR9.8.8(7) requires an explanation of and justification for the pensionable aspects of a directors' remuneration, other than basic salary, which are pensionable. Although there is no discrete disclosure required under the BIS Regulations in relation to this aspect, on balance we consider that sufficient related information will be provided under the BIS Regulations.
LR 9.8.8R (8): The requirement to disclose the details of any directors' service contract with a notice period in excess of one year or with provisions for pre-determined compensation on termination which exceeds one year's salary and benefits in kind. The requirement to justify such notice period.	30: The requirement for the description of any obligation on the company which (a) is contained in all directors' service contracts, (b) is contained in the service contracts of any one or more existing directors (not covered by (a)), or (c) it is proposed would be contained in directors' service contracts to be entered into by the company but only if they impact on remuneration payments or payments for the loss of office not disclosed elsewhere in the report. 31: Where service contracts are not available for inspection at the registered office of the company, the requirement to disclose details of where the contracts are kept and, if the contracts are available online, to give a relevant hyperlink. 36: The requirement to disclose policy on the setting of notice periods under directors' service contracts.	Unlike LR 9.8.8R(8), the BIS Regulations require disclosure of any service contract obligations but only with impact on pay or compensation for the loss of office. There is no explicit requirement for the justification of pre-determined compensation exceeding one year's salary and benefits in kind, or the justification of such length of the notice period, under the BIS Regulations. However, it is worth noting that there are separate requirements in the Companies Act 2006 for disclosure of service contracts. Where the service contract is caught by this Listing Rule, details of the whole service contract must be disclosed in the annual report whereas the Regulations require the disclosure of terms of service contracts only in a narrow set of circumstances. However, the new Regulations and the Companies Act 2006 do make related provisions regarding both access to directors' service contracts and disclosing the policy on setting notice periods. On balance, we consider that the new Regulations, and the Companies Act requirements, produce a similar level of information and will either be disclosed in the annual report or otherwise accessible to investors. Therefore, we propose removing LR9.8.8R(8).

Listing Rule (LR) requirements & reference	BIS Regulations requirements & reference Note: references are to the relevant section of the revised Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013.	Comparability Outcome
LR 9.8.8R (9): For both UK and overseas premium listed issuers: the requirement to give details of the unexpired term of any directors' service contract of a director proposed for election or re-election at the forthcoming annual general meeting, and, if any director proposed for election or re-election does not have a directors' service contract, a statement to that effect	33: The details of the levels of reward for each executive director that would be received in accordance with the directors' remuneration policy in the first year to which the policy applies. No equivalent provision for premium listed overseas incorporated issuers due to the applicability of the Regulation to quoted companies only.	This Listing Rule will remain.
LR 9.8.8R (10): Disclosing the statement of the listed company's: policy on granting of options or awards under its employees' share schemes and other long-term incentive schemes, and explaining and justifying any departure from that policy in the period under review and any change in the policy from the preceding year.	In relation to the directors only, these details can be expected to be contained in the company's policy on directors' remuneration covered by regulation 24 & 26. 17(a): For current and former directors the requirement for a statement on any requirements and guidelines for the directors to own company shares and whether these have been met. The description of the differences between the whole of the remuneration policy for all employees and for directors is required by regulation 27(e). 38: The requirement for a statement of how pay and employment conditions of employees other than directors were taken into account when setting the policy for directors' remuneration.	The new BIS Regulations do not require disclosure of the policy on granting options or awards under its employees' share schemes and other long-term incentive schemes It can be expected that the policy of granting share options, awards and interests in other long-term incentive schemes would be disclosed in a company's policy on directors' remuneration. According to 24 (3) the company would not be able to grant such awards if the policy does not cover these or if they depart from such policy. However, these Regulations only apply to directors' remuneration and do not cover the disclosure of reward policy of all other employees mentioned in LR 9.8.8R (10). There will be no requirement under the new Regulations to disclose the share awards of below board-level employees who can nevertheless be subject to significant awards. This is because the BIS Regulations derive from a power in the CA that only covers directors. This is narrower than the power we have under FSMA to make Listing Rules. We propose removing the LR9.8.8(10) requirement to disclose the reward policy of all employees as we consider the requirements of the new BIS Regulations to be adequate.

Listing Rule (LR) requirements & reference	BIS Regulations requirements & reference Note: references are to the relevant section of the revised Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013.	Comparability Outcome
LR 9.8.8R(11): For money purchase schemes, the disclosure of details of the contribution or allowance payable or made by the listed company in respect of each director during the period under review.	4.(1): For each person who has served as a director of the company at any time during that year. 7.(1)(e): The disclosure of all (i) payments received in lieu of retirement benefits (ii) and all benefits in year from participating in pension schemes. 10 (e) sets out the way in which a company has to calculate the value of a money purchase pension scheme	LR 9.8.8R (11) focuses on money purchase schemes, whereas the new BIS Regulations cover all payments received and all benefits under any type of pension scheme. The new BIS Regulations are more comprehensive, therefore, we propose removing LR9.8.8R(11).
LR9.8.8R(12): For defined benefit schemes: a) details of the amount of the increase during the period under review (excluding inflation) and of the accumulated total amount at the end of the period in respect of the accrued benefit to which each director would be entitled on leaving service or is entitled having left service during the period under review. b) either i) the transfer value (less director's contributions) of the relevant increase in accrued benefit (to be calculated in accordance with Actuarial Guidance Note GN11 but making no deduction for under-funding) as at the end of the period; or ii) so much of the following information as is necessary to make a reasonable assessment of the transfer value in respect of each director: A) age, B) normal retirement age, C) the amount of any contributions paid or payable by the director under the terms of the scheme during the period under review, D) details of spouses and dependants benefits, E) early retirement rights and options, F) expectations of pension increases after retirement (whether guaranteed or discretionary), and G) discretionary benefits for which allowance is made in transfer values on leaving and any other relevant information which will significantly affect the value of the benefits, and c) no disclosure of voluntary contributions and benefits.	For both defined benefit and money purchase schemes: 7.(1)(e): The disclosure of all payments received in lieu of retirement benefits (i) and all benefits in year from participating in pension schemes. 34(1): The requirement to disclose in a bar chart the minimum level of remuneration receivable by each director (including among others the disclosure of pension entitlement). 10 (e): the requirement to disclose the cash value of payments in lieu of retirement benefits and what an aggregate pension input amount would be across the company's pension schemes calculated according to FA04 methodology. For defined benefits or cash balance benefits: 13: The requirement for the disclosure of total pension entitlements (a) details of those rights as at the end of that year, including the person's normal retirement date (b) a description of any additional benefit that will become receivable by a director in the event that that director retires early; and (c) where a person has rights under more than one type of pension benefit identified in column headed 'e' [pension related benefits] of the single total figure table, separate details relating to each type of pension benefit.	Both sets of rules require disclosure of directors' defined benefit pension entitlements for the period under review. However, the new BIS Regulations require calculation of an aggregate pension input amount using a different methodology (FA04) from that specified by the Listing Rule (GN11). The new Regulation does not provide an alternative unlike LR 9.8.8R(12)(b)(ii) (A-G). Although the two sets of requirements are different in detail, we believe that substantially the same outcome is reached. Therefore, we propose deleting LR9.8.8R(12).

Appendix 2

Draft Handbook text

LISTING RULES (ANNUAL FINANCIAL REPORT) INSTRUMENT 2013

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (the “Act”):
- (1) section 73A (Part 6 Rules);
 - (2) section 137A (General rule-making power);
 - (3) section 137T (General supplementary powers); and
 - (4) section 139A (Guidance).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [] 2014.

Amendments to the Handbook

- D. The Listing Rules sourcebook (LR) is amended in accordance with the Annex to this instrument.

Notes

- E. In the Annex to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Listing Rules (Annual Financial Report) Instrument 2013.

By order of the Board of the Financial Conduct Authority
[date] 2013

Annex

Amendments to the Listing Rules sourcebook (LR)

In this Annex, underlining indicates new text and striking through indicates deleted text.

9.8 Annual financial report

[Note: LR 9.8 does not apply to an issuer with a financial year ending before 1 January 2014. As set out in LR TR 11, an issuer with a financial year ending before 1 January 2014 must instead comply with the requirements set out in LR App 2.]

9.8.1 R [deleted]

...

Additional information

9.8.6 R In the case of a *listed company* incorporated in the *United Kingdom*, the following additional items must be included in its annual financial report :

...

(7) a report to the shareholders by the Board which contains ~~all the matters~~ information set out in LR 9.8.8R.

...

9.8.7 R An *overseas company* with a *premium listing* must include in its annual report and accounts the information in LR 9.8.6R(5), LR 9.8.6R(6) and LR 9.8.8R~~(9)~~.

...

Report to shareholders

9.8.8 R The report to the shareholders by the Board required by LR 9.8.6R(7) must contain ~~the following:~~ details of the unexpired term of any *director's* service contract of a *director* proposed for election or re-election at the forthcoming annual general meeting, and, if any *director* proposed for election or re-election does not have a *directors'* service contract, a statement to that effect.

(1) ~~a statement of the *listed company's* policy on executive *directors'* remuneration;~~

(2) ~~information presented in tabular form, unless inappropriate, together with explanatory notes as necessary on:~~

- (a) ~~the amount of each element in the remuneration package for the period under review of each *director*, by name, including but not restricted to, basic salary and fees, the estimated money value of benefits in kind, annual bonuses, deferred bonuses, compensation for loss of office and payments for breach of contract or other termination payments;~~
 - (b) ~~the total remuneration for each *director* for the period under review and for the corresponding prior period;~~
 - (c) ~~any significant payments made to former *directors* during the period under review; and~~
 - (d) ~~any share options, including Save as you earn options, for each *director*, by name, in accordance with the requirements of the Directors' Remuneration Report Regulations;~~
- (3) ~~details of any *long-term incentive schemes*, other than share options as required by paragraph (2)(d), including the interests of each *director*, by name, in the *long-term incentive schemes* at the start of the period under review;~~
 - (4) ~~details of any entitlements or awards granted and commitments made to each *director* under any *long-term incentive schemes* during the period, showing which crystallize either in the same year or in subsequent years;~~
 - (5) ~~details of the monetary value and number of *shares*, cash payments or other benefits received by each *director* under any *long-term incentive schemes* during the period;~~
 - (6) ~~details of the interests of each *director* in the *long-term incentive schemes* at the end of the period;~~
 - (7) ~~an explanation and justification of any element of a *director's* remuneration, other than basic salary, which is pensionable;~~
 - (8) ~~details of any *directors'* service contract with a notice period in excess of one year or with provisions for pre-determined compensation on termination which exceeds one years salary and benefits in kind, giving the reasons for such notice period;~~
 - (9) ~~details of the unexpired term of any *directors'* service contract of a *director* proposed for election or re-election at the forthcoming annual general meeting, and, if any *director* proposed for election or re-election does not have a *directors'* service contract, a statement to that effect;~~
 - (10) ~~a statement of the *listed company's* policy on the granting of options or awards under its *employees' share schemes* and other *long-term incentive schemes*, explaining and justifying any departure from that~~

policy in the period under review and any change in the policy from the preceding year;

(11) ~~for money purchase schemes details of the contribution or allowance payable or made by the listed company in respect of each director during the period under review; and~~

(12) ~~for defined benefit schemes:~~

(a) ~~details of the amount of the increase during the period under review (excluding inflation) and of the accumulated total amount at the end of the period in respect of the accrued benefit to which each director would be entitled on leaving service or is entitled having left service during the period under review;~~

(b) ~~either:~~

(i) ~~the transfer value (less director's contributions) of the relevant increase in accrued benefit (to be calculated in accordance with regulations 7 to 7E of the Occupational Pension Schemes (Transfer Values) Regulations 1996 but making no deduction for any under-funding) as at the end of the period; or~~

(ii) ~~so much of the following information as is necessary to make a reasonable assessment of the transfer value in respect of each director:~~

~~(A) age;~~

~~(B) normal retirement age;~~

~~(C) the amount of any contributions paid or payable by the director under the terms of the scheme during the period under review;~~

~~(D) details of spouses and dependants benefits;~~

~~(E) early retirement rights and options;~~

~~(F) expectations of pension increases after retirement (whether guaranteed or discretionary); and~~

~~(G) discretionary benefits for which allowance is made in transfer values on leaving and any other relevant information which will significantly affect the value of the benefits; and~~

(e) ~~no disclosure of voluntary contributions and benefits.~~

Information required by law

- 9.8.9 G The requirements of *LR 9.8.6R(6)* and ~~*LR 9.8.8R*~~ relating to corporate governance are additional to the information required by law to be included in the *listed company's* annual report and accounts.

Auditors report

...

- 9.8.11 R ~~A listed company must ensure that the auditors review the following disclosures: [deleted]~~
- (1) ~~*LR 9.8.8R(2)* (amount of each element in the remuneration package and information on share options);~~
 - (2) ~~*LR 9.8.8R(3)*, *LR 9.8.8R(4)* and (5) (details of long term incentive schemes for directors);~~
 - (3) ~~*LR 9.8.8R(11)* (money purchase schemes); and~~
 - (4) ~~*LR 9.8.8R(12)* (defined benefit schemes).~~
- 9.8.12 R ~~If, in the opinion of the auditors the listed company has not complied with any of the requirements set out in *LR 9.8.11R* the listed company must ensure that the auditors report includes, to the extent possible, a statement giving details of the non-compliance. [deleted]~~

~~Summary financial statements~~ Strategic report with supplementary information

- 9.8.13 R ~~Any summary financial statement~~ strategic report with supplementary information issued provided to shareholders by a listed company, as permitted under section 426 of the Companies Act 2006, must disclose:
- (1) earnings per share; and
 - (2) the information required for ~~summary financial statements~~ a strategic report set out in or under the Companies Act 2006 and the supplementary material required under section 426A of the Companies Act 2006.

...

Appendix 2 Fees and Financial Penalty Income Annual Financial Report

App 2.1 ~~The provisions outlined in LR App 2.1 in relation to fees are set out in FEES 3 and 4~~

App 2.1.1 As set out in LR TR 11, an issuer with a financial year ending before 1 January 2014 must comply with the requirements set out in this appendix in relation to their annual financial report. To assist issuers, this appendix adopts the text of LR 9.8 before this was amended by the Listing Rules

(Annual Financial Report) Instrument 2013 in order to cover issuers with a financial year ending after 1 January 2014.

App 2.1.2

9.8 Annual financial report

9.8.1 R [not used]

9.8.2 R [not used]

9.8.3 R [not used]

Information to be included in annual report and accounts

9.8.4 R In addition to the requirements set out in DTR 4.1 a listed company must include in its annual financial report, where applicable, the following:

- (1) a statement of the amount of interest capitalised by the group during the period under review with an indication of the amount and treatment of any related tax relief;
- (2) any information required by LR 9.2.18R (Publication of unaudited financial information);
- (3) details of any small related party transaction as required by LR 11.1.10R(2)(c);
- (4) details of any long-term incentive schemes as required by LR 9.4.3R;
- (5) details of any arrangements under which a director of the company has waived or agreed to waive any emoluments from the company or any subsidiary undertaking;
- (6) where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review;
- (7) in the case of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the company's shareholders:
 - (a) the classes of shares allotted and for each class of shares, the number allotted, their aggregate nominal value and the consideration received by the company for the allotment;
 - (b) the names of the allottees, if less than six in number, and in the case of six or more allottees a brief generic description of each new class of equity holder (e.g. holder of loan stock);

- (c) the market price of the allotted securities on the date on which the terms of the issue were fixed; and
 - (d) the date on which the terms of the issue were fixed;
 - (8) the information required by paragraph (7) must be given for any unlisted major subsidiary undertaking of the company;
 - (9) where a listed company has listed shares in issue and is a subsidiary undertaking of another company, details of the participation by the parent undertaking in any placing made during the period under review;
 - (10) details of any contract of significance subsisting during the period under review:
 - (a) to which the listed company, or one of its subsidiary undertakings, is a party and in which a director of the listed company is or was materially interested; and
 - (b) between the listed company, or one of its subsidiary undertakings, and a controlling shareholder;
 - (11) details of any contract for the provision of services to the listed company or any of its subsidiary undertakings by a controlling shareholder, subsisting during the period under review, unless:
 - (a) it is a contract for the provision of services which it is the principal business of the shareholder to provide; and
 - (b) it is not a contract of significance;
 - (12) details of any arrangement under which a shareholder has waived or agreed to waive any dividends; and
 - (13) where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.
- 9.8.5 G A listed company need not include with the annual report and accounts details of waivers of dividends of less than 1% of the total value of any dividend provided that some payment has been made on each share of the relevant class during the relevant calendar year.

Additional information

- 9.8.6 R In the case of a listed company incorporated in the United Kingdom, the following additional items must be included in its annual financial report :
- (1) a statement setting out all the interests (in respect of which transactions are notifiable to the company under DTR 3.1.2R) of

each person who is a director of the listed company as at the end of the period under review including:

- (a) all changes in the interests of each director that have occurred between the end of the period under review and a date not more than one month prior to the date of the notice of the annual general meeting; or
- (b) if there have been no changes in the period described in paragraph (a), a statement that there have been no changes in the interests of each director;

Interests of each director include the interests of connected persons of which the listed company is, or ought upon reasonable enquiry to become, aware.

- (2) a statement showing the interests disclosed to the listed company in accordance with DTR 5 as at the end of the period under review and:
 - (a) all interests disclosed to the listed company in accordance with DTR 5 that have occurred between the end of the period under review and a date not more than one month prior to the date of the notice of the annual general meeting; or
 - (b) if no interests have been disclosed to the listed company in accordance with DTR 5 in the period described in (a), a statement that no changes have been disclosed to the listed company;
- (3) a statement made by the directors that the business is a going concern, together with supporting assumptions or qualifications as necessary, that has been prepared in accordance with Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council in October 2009;
- (4) a statement setting out:
 - (a) details of any shareholders authority for the purchase, by the listed company of its own shares that is still valid at the end of the period under review;
 - (b) in the case of purchases made otherwise than through the market or by tender to all shareholders, the names of sellers of such shares purchased, or proposed to be purchased, by the listed company during the period under review;
 - (c) in the case of any purchases made otherwise than through the market or by tender or partial offer to all shareholders, or options or contracts to make such purchases, entered into since the end of the period covered by the report, information

equivalent to that required under Part 2 of Schedule 7 to the Large & Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (Disclosure required by company acquiring its own shares etc) ; and

(d) in the case of sales of *treasury shares* for cash made otherwise than through the market, or in connection with an *employees' share scheme*, or otherwise than pursuant to an opportunity which (so far as was practicable) was made available to all holders of the *listed company's securities* (or to all holders of a relevant class of its *securities*) on the same terms, particulars of the names of purchasers of such *shares* sold, or proposed to be sold, by the *company* during the period under review;

(5) a statement of how the *listed company* has applied the Main Principles set out in the *UK Corporate Governance Code*, in a manner that would enable shareholders to evaluate how the principles have been applied;

(6) a statement as to whether the *listed company* has:

(a) complied throughout the accounting period with all relevant provisions set out in the *UK Corporate Governance Code*; or

(b) not complied throughout the accounting period with all relevant provisions set out in the *UK Corporate Governance Code* and if so, setting out:

(i) those provisions, if any it has not complied with;

(ii) in the case of provisions whose requirements are of a continuing nature, the period within which, if any, it did not comply with some or all of those provisions; and

(iii) the *company's* reasons for non-compliance; and

(7) a report to the shareholders by the Board which contains all the matters set out in LR 9.8.8R.

9.8.6A G (1) The effect of LR 9.8.6R(1) is that a *listed company* is required to set out a 'snapshot' of the total interests of a *director* and his or her *connected persons*, as at the end of the period under review (including certain information to update it as at a date not more than a month before the date of the notice of the annual general meeting). The interests that need to be set out are limited to those in respect of which transactions fall to be notified under the notification requirement for PDMRs in DTR 3.1.2R. *Persons* who are *directors* during, but not at the end of, the period under review need not be included.

- (2) A listed company unable to compile the statement in LR 9.8.6R(1) from information already available to it may need to seek the relevant information, or confirmation, from the director himself, including that in relation to connected persons, but would not be expected to obtain information directly from connected persons.
- 9.8.7 R An overseas company with a premium listing must include in its annual report and accounts the information in LR 9.8.6R(5), LR 9.8.6R(6) and LR 9.8.8R(9).
- 9.8.7A R (1) An overseas company with a premium listing that is not required to comply with requirements imposed by another EEA State that correspond to DTR 7.2 (Corporate governance statements) must comply with DTR 7.2 as if it were an issuer to which that section applies.
- (2) An overseas company with a premium listing which complies with LR 9.8.7R will be taken to satisfy the requirements of DTR 7.2.2R and DTR 7.2.3R, but (unless it is required to comply with requirements imposed by another EEA State that correspond to DTR 7.2) must comply with all of the other requirements of DTR 7.2 as if it were an issuer to which that section applies.

Report to shareholders

- 9.8.8 R The report to the shareholders by the Board required by LR 9.8.6R(7) must contain the following:
- (1) a statement of the listed company's policy on executive directors' remuneration;
- (2) information presented in tabular form, unless inappropriate, together with explanatory notes as necessary on:
- (a) the amount of each element in the remuneration package for the period under review of each director, by name, including but not restricted to, basic salary and fees, the estimated money value of benefits in kind, annual bonuses, deferred bonuses, compensation for loss of office and payments for breach of contract or other termination payments;
- (b) the total remuneration for each director for the period under review and for the corresponding prior period;
- (c) any significant payments made to former directors during the period under review; and
- (d) any share options, including Save-as-you-earn options, for each director, by name, in accordance with the requirements of the Directors' Remuneration Report Regulations;

- (3) details of any long-term incentive schemes, other than share options as required by paragraph (2)(d), including the interests of each director, by name, in the long-term incentive schemes at the start of the period under review;
- (4) details of any entitlements or awards granted and commitments made to each director under any long-term incentive schemes during the period, showing which crystallize either in the same year or in subsequent years;
- (5) details of the monetary value and number of shares, cash payments or other benefits received by each director under any long-term incentive schemes during the period;
- (6) details of the interests of each director in the long-term incentive schemes at the end of the period;
- (7) an explanation and justification of any element of a director's remuneration, other than basic salary, which is pensionable;
- (8) details of any director's service contract with a notice period in excess of one year or with provisions for pre-determined compensation on termination which exceeds one years salary and benefits in kind, giving the reasons for such notice period;
- (9) details of the unexpired term of any directors' service contract of a director proposed for election or re-election at the forthcoming annual general meeting, and, if any director proposed for election or re-election does not have a directors' service contract, a statement to that effect;
- (10) a statement of the listed company's policy on the granting of options or awards under its employees' share schemes and other long-term incentive schemes, explaining and justifying any departure from that policy in the period under review and any change in the policy from the preceding year;
- (11) for money purchase schemes details of the contribution or allowance payable or made by the listed company in respect of each director during the period under review; and
- (12) for defined benefit schemes:
 - (a) details of the amount of the increase during the period under review (excluding inflation) and of the accumulated total amount at the end of the period in respect of the accrued benefit to which each director would be entitled on leaving service or is entitled having left service during the period under review;
 - (b) either:

- (i) the transfer value (less *director's* contributions) of the relevant increase in accrued benefit (to be calculated in accordance with regulations 7 to 7E of the Occupational Pension Schemes (Transfer Values) Regulations 1996 but making no deduction for any under-funding) as at the end of the period; or
- (ii) so much of the following information as is necessary to make a reasonable assessment of the transfer value in respect of each *director*:
 - (A) age;
 - (B) normal retirement age;
 - (C) the amount of any contributions paid or payable by the director under the terms of the scheme during the period under review;
 - (D) details of spouses and dependants benefits;
 - (E) early retirement rights and options;
 - (F) expectations of pension increases after retirement (whether guaranteed or discretionary); and
 - (G) discretionary benefits for which allowance is made in transfer values on leaving and any other relevant information which will significantly affect the value of the benefits; and
- (c) no disclosure of voluntary contributions and benefits.

Information required by law

- 9.8.9 G The requirements of LR 9.8.6R(6) and LR 9.8.8R relating to corporate governance are additional to the information required by law to be included in the *listed company's* annual report and accounts.

Auditors report

- 9.8.10 R A *listed company* must ensure that the auditors review each of the following before the annual report is published:
- (1) LR 9.8.6R(3) (statement by the directors that the business is a going concern); and
 - (2) the parts of the statement required by LR 9.8.6R(6) (corporate governance) that relate to the following provisions of the *UK Corporate Governance Code*:
 - (a) C.1.1;
 - (b) C.2.1; and

(c) C.3.1 to C.3.7.

9.8.11 R A listed company must ensure that the auditors review the following disclosures:

- (1) LR 9.8.8R(2) (amount of each element in the remuneration package and information on share options);
- (2) LR 9.8.8R(3), LR 9.8.8R(4) and (5) (details of long term incentive schemes for directors);
- (3) LR 9.8.8R(11) (money purchase schemes); and
- (4) LR 9.8.8R(12) (defined benefit schemes).

9.8.12 R If, in the opinion of the auditors the listed company has not complied with any of the requirements set out in LR 9.8.11R the listed company must ensure that the auditors report includes, to the extent possible, a statement giving details of the non-compliance.

Summary financial statements

9.8.13 R Any summary financial statement issued by a listed company as permitted under the Companies Act 2006, must disclose:

- (1) earnings per share; and
- (2) the information required for summary financial statements set out in or under the Companies Act 2006.

...

TR 11 Transitional Provisions in relation to Annual Financial Report

<u>(1)</u>	<u>(2) Material to which the transitional provision applies</u>	<u>(3)</u>	<u>(4) Transitional provision</u>	<u>(5) Transitional provision: dates in force</u>	<u>(6) Handbook provision: coming into force</u>
<u>1.</u>	<u>LR 9.8</u>	<u>R</u>	<p>(1) <u>LR 9.8 does not apply to an issuer with a financial year ending before 1 January 2014.</u></p> <p>(2) <u>An issuer with a financial year ending before 1 January 2014 must instead comply</u></p>	<u>From 1 January 2014</u>	<u>1 January 2014</u>

			<u>with the requirements set out in LR App 2.</u>		
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Financial Conduct Authority



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25 The North Colonnade Canary Wharf
London E14 5HS
Telephone: +44 (0)20 7066 1000
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