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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

Schedule 6 of the Companies Act 1985 requires a company to produce certain information concerning directors' remuneration by way of notes to the company's accounts. These regulations exempt a quoted company from most of the requirements contained in Part I of Schedule 6 and instead require such a company to set out a large part of the information concerning directors' remuneration in the directors' remuneration report. Part I of Schedule 6 will continue to apply to companies which are not quoted and Parts II and III of that Schedule will apply to both quoted and unquoted companies.

A quoted company is defined in regulation 10 as a company whose equity share capital has been included in the official list in accordance with the provisions of Part VI of the Financial Services and Markets Act 2000, is officially listed in an EEA State or is admitted to dealing on either the New York Stock Exchange or the exchange known as Nasdaq.

The directors of a quoted company are required to produce for each financial year a directors' remuneration report which shall be approved by the board of directors and signed on behalf of the directors by a director or the secretary of the company.

The company's auditors are to report to the company as to whether that part of the directors' remuneration report which contains the information required by Part 3 of Schedule 7A has been properly prepared in accordance with the Companies Act 1985. To the extent that the requirements of Schedule 6 or Part 3 of Schedule 7A are not complied with the auditors shall include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.

A copy of the directors' remuneration report is to be sent to each member of the company, every holder of the company's debentures and every person who is entitled to receive notice of general meetings. If the quoted company is also a listed company, to which section 251 Companies Act 1985 applies, then it may send to those persons a summary financial statement instead of the accounts, directors' report and directors' remuneration report. The content of the summary financial statement is set out in the Companies (Summary Financial Statement) Regulations 1995 (SI 1995/2092) and it is proposed to amend those regulations to set out those elements of the directors' remuneration report which are to be summarised in the summary financial statement.

Regulation 7 inserts a new section 241A into the Companies Act 1985 which requires that a resolution approving the directors' remuneration report for the financial year is moved as an ordinary resolution at the general meeting of the company before which the company's annual accounts for the financial year are laid.

A quoted company is, in addition, required to deliver a copy of the directors' remuneration report to the Registrar of Companies.

Part 2 of Schedule 7A requires information concerning four areas. First, circumstances surrounding the consideration by the directors of matters pertaining to directors' remuneration. Second, a statement of the company's policy on directors' remuneration for the following financial year. Third, a performance graph which sets out the total shareholder return of the company on the class of equity share capital, if any, which caused the company to fall within the definition of "quoted company". Finally, Part 2 requires certain information to be set out concerning each director's contract of service or contract for services.

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

Part 3 of Schedule 7A requires detailed information to be set out concerning the emoluments, share options, long term incentive plans, pensions, compensation and excess retirement benefits of each director and, in some cases, of past directors as well.

A Regulatory Impact Assessment has been prepared. Copies can be obtained from David Styles, Company Law and Investigations Directorate, DTI, 1 Victoria St, London SW1H 0ET, telephone 020 7215 0211. Copies of which have been placed in the libraries of both Houses of Parliament.