
STATUTORY INSTRUMENTS

2002 No. 1986

The Directors' Remuneration Report Regulations 2002

Citation, commencement and interpretation

- 1.—(1) These Regulations may be cited as the Directors' Remuneration Report Regulations 2002.
- (2) These Regulations shall come into force on 1st August 2002 and shall have effect as respects companies' financial years ending on or after 31st December 2002.
- (3) In these Regulations, “the Act” means the Companies Act 1985.

Disclosure required in notes to accounts

2. For section 232 (1) of the Act substitute—
 - “(1) The information specified in Schedule 6 shall be given in notes to a company's annual accounts, save that the information specified in paragraphs 2-14 in Part I of Schedule 6 shall be given only in the case of a company which is not a quoted company.”

Directors' remuneration report

3. After section 234A of the Act, insert—

“Quoted companies: directors' remuneration report

234B Duty to prepare directors' remuneration report

(1) The directors of a quoted company shall for each financial year prepare a directors' remuneration report which shall contain the information specified in Schedule 7A and comply with any requirement of that Schedule as to how information is to be set out in the report.

(2) In Schedule 7A—

Part 1 is introductory,

Part 2 relates to information about remuneration committees, performance related remuneration and liabilities in respect of directors' contracts,

Part 3 relates to detailed information about directors' remuneration (information included under Part 3 is required to be reported on by the auditors, see section 235), and

Part 4 contains interpretative and supplementary provisions.

(3) In the case of any failure to comply with the provisions of this Part as to the preparation of a directors' remuneration report and the contents of the report, every person who was a director of the quoted company immediately before the end of the period for laying and delivering accounts and reports for the financial year in question is guilty of an offence and liable to a fine.

(4) In proceedings against a person for an offence under subsection (3) it is a defence for him to prove that he took all reasonable steps for securing compliance with the requirements in question.

(5) It is the duty of any director of a company, and any person who has at any time in the preceding five years been a director of the company, to give notice to the company of such matters relating to himself as may be necessary for the purposes of Parts 2 and 3 of Schedule 7A.

(6) A person who makes default in complying with subsection (5) commits an offence and is liable to a fine.

Approval and signing of directors' remuneration report

234C.—(1) The directors' remuneration report shall be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.

(2) Every copy of the directors' remuneration report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the person who signed it on behalf of the board.

(3) The copy of the directors' remuneration report which is delivered to the registrar shall be signed on behalf of the board by a director or the secretary of the company.

(4) If a copy of the directors' remuneration report—

(a) is laid before the company, or otherwise circulated, published or issued, without the report having been signed as required by this section or without the required statement of the signatory's name being included, or

(b) is delivered to the registrar without being signed as required by this section,

the company and every officer of it who is in default is guilty of an offence and liable to a fine.”

Auditors' report

4. In section 235 of the Act, after subsection (3) insert—

“(4) If a directors' remuneration report is prepared for the financial year for which the annual accounts are prepared the auditors shall in their report

(a) report to the company's members on the auditable part of the directors' remuneration report, and

(b) state whether in their opinion that part of the directors' remuneration report has been properly prepared in accordance with this Act.

(5) For the purposes of this Part, “the auditable part” of a directors' remuneration report is the part containing the information required by Part 3 of Schedule 7A.”

Duties of auditors

5. In section 237(1) of the Act, after paragraph (b), insert “and

(c) (in the case of a quoted company) whether the auditable part of the company's directors' remuneration report is in agreement with the accounting records and returns.”

6. For section 237(4) of the Act, substitute—

“(4) If—

(a) the requirements of Schedule 6 (disclosure of information: emoluments and other benefits of directors and others) are not complied with in the annual accounts, or

- (b) where a directors' remuneration report is required to be prepared, the requirements of Part 3 of Schedule 7A (directors' remuneration report) are not complied with in that report,

the auditors shall include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.”

Members' vote on directors' remuneration report

- 7. After section 241 of the Act, insert—

“Members' approval of directors' remuneration report

241A.—(1) This section applies to every company that is a quoted company immediately before the end of a financial year.

(2) In this section “the meeting” means the general meeting of the company before which the company’s annual accounts for the financial year are to be laid.

(3) The company must, prior to the meeting, give to the members of the company entitled to be sent notice of the meeting notice of the intention to move at the meeting, as an ordinary resolution, a resolution approving the directors' remuneration report for the financial year.

(4) Notice under subsection (3) shall be given to each such member in any manner permitted for the service on him of notice of the meeting.

(5) The business that may be dealt with at the meeting includes the resolution.

(6) The existing directors must ensure that the resolution is put to the vote of the meeting.

(7) Subsection (5) has effect notwithstanding—

(a) any default in complying with subsections (3) and (4);

(b) anything in the company’s articles.

(8) No entitlement of a person to remuneration is made conditional on the resolution being passed by reason only of the provision made by this section.

(9) In the event of default in complying with the requirements of subsections (3) and (4), every officer of the company who is in default is liable to a fine.

(10) If the resolution is not put to the vote of the meeting, each existing director is guilty of an offence and liable to a fine.

(11) If an existing director is charged with an offence under subsection (10), it is a defence for him to prove that he took all reasonable steps for securing that the resolution was put to the vote of the meeting.

(12) In this section “existing director” means a person who, immediately before the meeting, is a director of the company.”

Provision of summary financial statement to shareholders

- 8.—(1) Section 251 of the Act shall be amended as follows.

- (2) For subsection (3) substitute—

“(3) The summary financial statement—

(a) shall be derived from the company’s annual accounts, the directors' report and (in the case of a quoted company) the directors' remuneration report, and

(b) shall be in such form and contain such information as may be specified by regulations made by the Secretary of State.”

(3) For subsection (4) substitute—

“(4) Every summary financial statement shall—

- (a) state that it is only a summary of information in the company’s annual accounts, the directors' report and (in the case of a quoted company) the directors' remuneration report;
- (b) contain a statement by the company’s auditors of their opinion as to whether the summary financial statement is consistent with those accounts and those reports and complies with the requirements of this section and regulations made under it;
- (c) state whether the auditors' report on the annual accounts, or on the annual accounts and the auditable part of the directors' remuneration report, was unqualified or qualified, and if it was qualified set out the report in full together with any further material needed to understand the qualification;
- (d) state whether that auditors' report contained a statement under—
 - (i) section 237(2) (accounting records or returns inadequate or accounts or directors' remuneration report not agreeing with records and returns); or
 - (ii) section 237(3) (failure to obtain necessary information and explanations), and if so, set out the statement in full.”

Content of directors' remuneration report

9. After Schedule 7 to the Act insert the Schedule 7A which is set out in the Schedule to these Regulations.

Minor and consequential amendments

10.—(1) The following minor and consequential amendments to the Act shall have effect.

(2) In section 237(2), after “the company’s individual accounts are not in agreement with the accounting records and returns,” insert “or if in the case of a quoted company the auditable part of its directors' remuneration report is not in agreement with the accounting records and returns,”.

(3) In section 238 (1), for “A copy of the company’s annual accounts, together with a copy of the directors' report for that financial year and of the auditors' report on those accounts,” substitute “A copy of each of the documents mentioned in subsection (1A).”

(4) In section 238, after subsection (1), insert—

“(1A) Those documents are—

- (a) the company’s annual accounts for the financial year,
- (b) the directors' report for that financial year,
- (c) (in the case of a quoted company) the directors' remuneration report for that financial year, and
- (d) the auditors' report on those accounts or (in the case of a quoted company) on those accounts and the auditable part of the directors' remuneration report.”

(5) In section 238(4A), for “a company’s annual accounts, of the directors' report and of the auditors' report” substitute “copies of the documents mentioned in subsection (1A).”

(6) In section 239 (1), for the words after “without charge,” substitute “with a copy of—

- (a) the company’s last annual accounts,
- (b) the last directors' report,
- (c) (in the case of a quoted company) the last directors' remuneration report, and

- (d) the auditors' report on those accounts or (in the case of a quoted company) on those accounts and the auditable part of the directors' remuneration report for the financial year for which those accounts are prepared.”
- (7) In section 241 (1), for the words after “lay before the company in general meeting” substitute “copies of—
- (a) the company’s annual accounts,
 - (b) the directors' report,
 - (c) (in the case of a quoted company) the directors' remuneration report, and
 - (d) the auditors' report on those accounts or (in the case of a quoted company) on those accounts and the auditable part of the directors' remuneration report.”
- (8) In section 242(1), for the words after “deliver to the registrar” substitute “a copy of—
- (a) the company’s annual accounts,
 - (b) the directors' report,
 - (c) (in the case of a quoted company) the directors' remuneration report, and
 - (d) the auditors' report on those accounts or (in the case of a quoted company) on those accounts and the auditable part of the directors' remuneration report.”
- (9) In section 245—
- (a) in subsection (1), after “directors' report” insert “or directors' remuneration report”; and
 - (b) in subsection (3), insert “or a revised directors' remuneration report” after “a revised directors' report”.
- (10) In section 245B(3)(b) after the words “directors' report” insert “, directors' remuneration report”.
- (11) In section 262(1), after the definition of “qualified” insert—
- ““quoted company” means a company whose equity share capital—
- (a) has been included in the official list in accordance with the provisions of Part VI of the Financial Services and Markets Act 2000; 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;
- and in paragraph (a) “the official list” shall have the meaning given it by section 103(1) of the Financial Services and Markets Act 2000;”.
- (12) In section 262A, after the entry for “associated undertaking” insert—

“auditable part (of a directors' remuneration report)	section 235(5)”
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and, after the entry for “qualified” insert—

“quoted company	section 262(1)”.
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- (13) In Schedule 6—
- (a) after the heading for Part 1 (and before the italic heading for paragraph 1) insert

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

“CHAPTER 1

PROVISIONS APPLYING TO QUOTED AND UNQUOTED COMPANIES”;

- (b) in paragraph 1(2), for “In the case of a company which is not a listed company” substitute “In the case of a company which is not a quoted company and whose equity share capital is not listed on the market known as AIM”;
- (c) in paragraph 1(5), omit the definition of “listed company”; and
- (d) after paragraph 1 (and before the italic heading for paragraph 2) insert—

“CHAPTER 2

PROVISIONS APPLYING ONLY TO UNQUOTED COMPANIES”.

(14) In Schedule 24 insert—

- (a) after the entry for section 234A(4),

“234B(3) Non-compliance with requirements as to preparation and content of directors' remuneration report	Summary	One fifth of the statutory maximum.
234B(6) Default in complying with section 234B(5)	Summary	One fifth of the statutory maximum.”

- (b) after the entry for section 241(2) or 242(2),

“241A(9) Default in complying with the requirements of section 241A(3) and (4)	Summary	One fifth of the statutory maximum.
241A(10) Failure to put resolution to vote of meeting	Summary	One fifth of the statutory maximum.”

Melanie Johnson,
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Competition, Consumers and Markets,
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25th July 2002