
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations implement in part Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending [Directive 2007/36/EC](#) as regards the encouragement of long-term shareholder engagement (OJ L 132, 20.5.2017, p. 1) (“the Directive”). The Directive amends [Directive 2007/36/EC](#) of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (OJ L 184, 14.7.2007, p. 17) (“the Original Directive”). These Regulations contain the implementation of article 9a (right to vote on a company’s remuneration policy) and article 9b (information to be provided in and right to vote on the remuneration report), which are inserted into the Original Directive. The Original Directive applies to a company whose shares carry voting rights and are admitted to trading on a regulated market within the EEA. In the UK, the definition of “traded company” in section 360C of the Companies Act 2006 (c. 46) (“the Act”) covers this type of company.

The Act and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) (“the 2008 Regulations”) already provide a legal framework in the UK for approval of and voting on directors’ remuneration, and this legislation currently applies to quoted companies (as defined in section 385 of the Act) which includes traded companies unless they are unquoted companies (also defined in section 385). This framework is amended by these Regulations to implement the Directive, including bringing unquoted traded companies within scope of the existing legal framework.

These Regulations amend:

Chapters 4 and 4A of Part 10 (relating to members’ approval and remuneration of directors), Chapters 6 (directors’ remuneration report), 7 (publication of accounts and reports), 9 (members’ approval of directors’ remuneration report), 10 (filing of accounts and reports) and 12 (supplementary provisions) of Part 15 (accounts and reports), and Chapter 3 (functions of the auditor) of Part 16 (audit) of the Act; and

Regulation 11 of, and Schedule 8 to the 2008 Regulations.

These Regulations implement a requirement of the Directive that the remuneration of the Chief Executive Officer and any Deputy Chief Executive Officer must be reported even if they are not a director on the board of the company. Previously under UK law, only the remuneration of the directors on the board were required to be reported.

A full impact assessment has not been published for this instrument as it has no significant impact on the costs of business, the voluntary sector and the public sector.