

Consequential Changes to the Listing Rules resulting from the BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations Including feedback on CP13/7 and final rules

December 2013



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In this Policy Statement we report on the main issues arising from Consultation Paper 13/7 (*Consequential Changes to the Listing Rules resulting from the BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations*) and publish the final rules.

Please send any comments or enquiries to:

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

Telephone: 020 7066 8332
Email: fca-cp13-07@fca.org.uk

You can download this Policy Statement 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 and Skills |
| CP | Consultation Paper |
| DTR | Disclosure and Transparency Rule |
| FCA | Financial Conduct Authority |
| LR | Listing Rule |

1. Overview

Introduction

- 1.1** In this Policy Statement we publish the final rules making consequential changes to the Listing Rules resulting from the BIS Directors' Remuneration Reporting Regulations¹ and Narrative Reporting Regulations.²
- 1.2** We also publish our feedback on the responses we received to the consultation on proposals for changes to the Listing Rules in August³, which closed on 9 October 2013.

Who does this affect?

- 1.3** This Policy Statement will interest:
- UK and overseas premium listed issuers or issuers considering a premium listing of their securities.
 - firms and sponsors advising issuers of premium listed securities.
 - firms or persons investing in or dealing in premium listed securities.

Is this of interest to consumers?

- 1.4** This will interest consumers who deal and invest in premium listed securities either directly or indirectly, and also investors who currently receive summary financial statements, instead of full annual report and accounts.

1 Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (SI 2013/1981): www.legislation.gov.uk/ukxi/2013/1981/made.

2 The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (SI 2013/1970): www.legislation.gov.uk/ukxi/2013/1970/made.

3 CP13/7 *Consequential Changes to the Listing Rules resulting from the BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations*, published on 28 August 2013.

Context

- 1.5** We are proposing these Listing Rule changes in response to the BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations. They are intended to reduce unnecessary administrative burdens for a premium listed company incorporated in the UK.
- 1.6** We consider that only having to comply primarily with one set of requirements in relation to directors' remuneration disclosure should ensure a simpler and more effective regime for firms.

Summary of feedback and our response

- 1.7** We received 20 responses to CP13/7 (one confidential) from 13 individual firms, five trade bodies and two membership organisations. The non-confidential respondents are listed in Annex 1.
- 1.8** In Chapter 2 we summarise the feedback received on our policy proposals and explain our response. Almost all of the respondents were extremely supportive of our proposals, welcoming the intention to remove overlap with the new BIS Directors' Remuneration Reporting Regulations and ease the administrative burdens on UK-incorporated premium listed companies.
- 1.9** The main issue raised concerned our proposed implementation date for the Listing Rule changes; in particular, that listed companies with financial years ending on or after 30 September 2013 would be required to comply with both the BIS and Listing Rule requirements until our changes to the Listing Rules come into force. To address this, several respondents suggested that the Listing Rule changes should be effective from 1 October 2013.
- 1.10** A small number of comments were made about other matters, such as the usefulness of retaining LR9.8.8(9), the requirement to update the wording in LR9.8.10(2) to reflect changes to the UK Corporate Governance Code, and additional overlap between the new BIS requirements and rules in LR9.4.
- 1.11** The feedback received has been very helpful in determining our policy and we have carefully considered it. Specifically, we have taken on board concerns expressed about the 1 January 2014 implementation date.
- 1.12** We have amended our proposals for the implementation of the changes so that the new rules will be effective on 13 December 2013 for listed companies with a financial year ending on or after 30 September 2013 that have not published their annual financial report on or before 13 December 2013.
- 1.13** With the exception of the implementation date, we have decided to proceed with the policy proposals as outlined in CP13/7, including making the consequential changes in response to the Narrative Reporting Regulations.

What do you need to do next?

- 1.14** From 13 December 2013, for most remuneration-related disclosures, UK-incorporated premium listed companies will only need to comply with the new BIS Directors' Remuneration Reporting Regulations when making disclosures regarding directors' remuneration.
- 1.15** The changes will be effective on 13 December 2013 for listed companies with a financial year ending on or after 30 September 2013 that have not published their annual financial report on or before 13 December 2013. Companies already preparing their annual financial report in compliance with the existing Listing Rules and the new BIS Directors' Remuneration Reporting Regulations can continue to publish that report after 13 December 2013 in compliance with both sets of requirements, if they choose to do so.

What will we do?

- 1.16** The new Listing Rules will be effective on 13 December 2013 for listed companies with a financial year ending on or after 30 September 2013 that have not published their annual financial report on or before 13 December 2013. To avoid doubt, the new Listing Rules will not apply to a premium listed company with a financial year ending before 30 September 2013.

2. Summary of feedback and our responses

- 2.1** In this chapter we outline the feedback received to the proposals made in CP13/7 and set out our response.

Feedback on the questions asked in CP13/7

- 2.2** Almost all of the respondents expressed full support for our proposals to reduce overlap between the reporting requirements of the BIS Directors' Remuneration Reporting Regulations and the Listing Rules.
- 2.3** We received comments on the proposed timing of the changes to the Listing Rules. Several respondents suggested that the Listing Rule changes should apply from 1 October 2013 to align with the implementation of the new BIS Directors' Remuneration Reporting Regulations. One respondent asked us to implement the changes on 1 December 2013 if it was not possible to implement from 1 October 2013. Another asked us to implement some form of transitional provision, allowing companies who fall within scope of both sets of rules to have an exemption from compliance with the existing Listing Rule requirements.
- 2.4** Some respondents asked that the changes be made effective as soon possible and that companies should be able to adopt the new rules as soon as they are finalised.
- 2.5** One respondent expressed concerns about the gap between the implementation of the BIS Directors' Remuneration Reporting Regulations and the changes to the Listing Rules and asked us to re-affirm our expectations during that period.
- 2.6** Another respondent suggested that companies with financial years ending between 30 September 2013 and the date that the new Listing Rules come into force should be able to report in accordance with the proposed new rules for that year, provided those rules are published before the company reports.

Our response

Almost all the respondents agreed with reducing the overlap between the new BIS requirements and the directors' remuneration type rules set out in Chapter 9 of the Listing Rules. So we are taking forward our proposals in CP13/7 and will remove LR 9.8.8R (with the exception of LR9.8.8R(9)), LR9.8.11R and LR9.8.12R. We will also make the consequential amendment to LR9.8.13R in response to the Narrative Reporting Regulations and change the existing references to 'summary financial statements' to 'strategic report with supplementary information'.

We intended to implement our Listing Rule changes simultaneously with the new BIS Directors' Remuneration Reporting Regulations to ensure a smooth transition. Unfortunately, we could not publish our consultation until the legislation had passed through Parliament, which meant it was not possible to align our rule changes. Instead, we proposed implementing our changes on 1 January 2014 to deliberately maintain the current regime for 31 December 2013 year-end issuers, the intention being to avoid imposing changes on these year-end issuers at very short notice.

However, in response to the feedback received, we will make our new rules effective on 13 December 2013 for listed companies with a financial year ending on or after 30 September 2013 that have not published their annual financial report on or before 13 December 2013.

Some of the affected companies may already be preparing their annual financial reports in compliance with the new BIS Directors' Remuneration Reporting Regulations and the existing Listing Rules so may not benefit practically from bringing forward the implementation date. So companies already preparing their annual financial report in compliance with the new BIS Directors' Remuneration Reporting Regulations and the existing Listing Rules can continue to publish that report after 13 December 2013 in compliance with both sets of requirements, if they so choose.

- 2.7** In Question 4 we asked whether there was agreement with our proposal to retain LR9.8.8R(9) to maintain the existing regime for premium listed overseas companies.
- 2.8** Two respondents supported retaining this rule. Another agreed with our intention to maintain the current Listing Rule requirements for premium listed overseas companies, but suggested that the requirement in LR9.8.8R(9) be deleted and its text incorporated into LR9.8.7R.
- 2.9** Three respondents disagreed with the proposal to retain LR9.8.8R(9).

Our response

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 will retain this rule.

- 2.10** One respondent commented that while they agreed with our proposed retention of LR9.8.6R(2), an opportunity was now present to resolve an issue with this rule. It was noted that LR9.8.6R(2) works by reference to a date that often occurs after the annual financial report is approved, i.e. not more than one month before the date of the notice of the annual general meeting. It was suggested that this could be qualified with 'on the date of the annual financial report if earlier'.

Our response

Rather than delaying implementation of the proposed changes to the Listing Rules and making that assessment now, we will take the opportunity to re-examine LR9.8.6R(2) at a later date and assess whether it is appropriate to make any changes to this Listing Rule.

Other issues raised

- 2.11** Three respondents commented that certain rules in LR9.8 and in the DTRs will need to be updated to refer to the UK Corporate Governance Code published in September 2012 by the Financial Reporting Council rather than the edition of the Code published in May 2010, and this update will require changes to LR9.8.10R.

Our response

We are aware that references to the 2010 UK Corporate Governance Code need updating. We will review these references as a separate exercise.

- 2.12** In response to Question 6, one respondent highlighted the fact that a standalone strategic report does not, under the new Narrative Reporting Regulations, have to contain any financial information, whereas the summary financial statements had to include a summary of the profit and loss account and balance sheet. It was suggested that we could consider supplementing the Narrative Reporting Regulations through LR9.8.13R(1) by requiring this information in a standalone strategic report.

Our response

For us to implement the Listing Rule changes quickly, we are unable to include a review of (and potential consultation on) the current requirements under LR9.8.13R(1) in this exercise. However, we will conduct a review separately to assess whether it is appropriate to make any further changes to this Listing Rule.

Three respondents observed further overlap between the Directors' Remuneration Reporting Regulations and the current obligations under LR9.4.1R, specifically one comment concerned the exemption offered by LR9.4.2R(2). It was argued this exemption is redundant as it cannot displace the statutory requirement of a vote on Directors' Remuneration policy and to amendments on such policy, under section 439A of the Companies Act 2006.

Our response

We are aware of the potential overlap, however, we consider that it would be appropriate for the new requirements to be in place for a reasonable period of time before making a full assessment of what (if any) changes to LR9.4 may be appropriate.

Annex 1

List of non-confidential respondents

Addleshaw Goodard LLP

Aon Hewitt Limited

The Association of British Insurers

The Association of Investment Companies

Baker Tilly

BDO LLP

Deloitte LLP

Freshfields Bruckhaus Deringer LLP

GC100

Grant Thornton UK LLP

Hermes Equity Ownership Services Limited

The Institute of Chartered Accountants in England and Wales

KPMG LLP

The Law Society

PricewaterhouseCoopers LLP

The Quoted Companies Alliance

Share Plan Lawyers group

Standard Chartered Bank

Towers Watson

Appendix 1

Made rules (legal instrument)

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 13 December 2013.

Amendments to the FCA’s 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
12 December 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 a *listed company* with a financial year ending before 30 September 2013, or to a *listed company* with a financial year ending on or after 30 September 2013 whose annual financial report has been made public on or before 13 December 2013. As set out in LR TR 11, a *listed company* with a financial year ending before 30 September 2013, or a *listed company* with a financial year ending on or after 30 September 2013 whose annual financial report has been made public on or before 13 December 2013, 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 for certain listed companies

- 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, a *listed company* with a financial year ending before 30 September 2013, or a *listed company* with a financial year ending on or after 30 September 2013 whose annual financial report has been made public on or before 13 December 2013, must comply with the requirements set out in this appendix in relation to their annual financial report. To assist *listed companies*, 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 *listed companies* with a financial year ending before 30 September 2013, and *listed companies* with a financial year ending on or after 30 September 2013 whose annual financial report has been made public on or before 13 December 2013.

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 year's 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> |
|-------------------|--|-------------------|--|--|---|
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|----|---------------|----------|--|------------------------------|-------------------------|
| 1. | <u>LR 9.8</u> | <u>R</u> | <p>(1) <u>LR 9.8 does not apply to a listed company with a financial year ending before 30 September 2013, or to a listed company with a financial year ending on or after 30 September 2013 whose annual financial report has been made public on or before 13 December 2013.</u></p> <p>(2) <u>A listed company with a financial year ending before 30 September 2013, or a listed company with a financial year ending on or after 30 September 2013 whose annual financial report has been made public on or before 13 December 2013, must instead comply with the requirements set out in LR App 2.</u></p> | <u>From 13 December 2013</u> | <u>13 December 2013</u> |
|----|---------------|----------|--|------------------------------|-------------------------|

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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