

Listing Rules

Changes to remuneration disclosure requirements



December 2013

The Financial Conduct Authority (FCA) has issued a policy statement outlining changes to the remuneration reporting requirements currently included in Chapter 9.

The FCA has amended the Listing Rules in response to the new directors' remuneration report and narrative reporting regulations in order to ensure that any duplication in relation to directors' remuneration is kept to a minimum and that unnecessary requirements are not imposed on UK incorporated listed companies.

Summary of changes

All of the disclosures relating to remuneration, currently contained in LR 9.8.8, have been removed with the exception of what was LR 9.8.8 (9). This provision now becomes LR 9.8.8 and requires the disclosure of the unexpired term of any director's service contract where that director is proposed for election or re-election at the forthcoming annual general meeting. This rule remains as it is applicable to both UK and overseas companies with a premium listing and therefore maintains the current requirements for overseas companies.

LR 9.8.11 and 9.8.12, which related to the auditors' review of the disclosures relating to directors' remuneration, have also been removed.

For the avoidance of doubt:

- There are no changes to LR9.8.6. This rule relates to the disclosure of directors' share interests at end of the period under review and any changes between this date (LR9.8.6 (1)); share interests disclosed to the listed company in accordance with Disclosure and Transparency Rule 5 (LR 9.8.6 (2)); a statement that the business is a going concern (LR 9.8.6 (3)); details of any shareholder authority for purchase of its own shares and details of such purchases (LR 9.8.6 (4)); a statement of how the company has applied the principles

set out in the UK Corporate Governance Code (LR 9.8.6 (5)) and a statement of compliance with the Code, or details of non-compliance (LR 9.8.6 (6)). It should be noted that companies incorporated outside the UK with a premium listing must comply with LR 9.8.6 (5) and (6).

- There are also no current plans to change LR 9.4.1, which deals with the requirement for shareholder approval of employee share plans and long term incentive plans, and LR 9.4.2 which allows exemptions from these requirements for all employee plans and plans put in place for one director to facilitate, in unusual circumstances, the recruitment or retention of the relevant individual, where those plans only operate with 'market purchase' shares. However, the policy statement notes the potential overlap between this provision and the requirements of the new regulations and suggests that this may be reviewed again once the new requirements have been in place for a reasonable period of time.
- There is a minor change to LR 9.8.13 in response to the narrative reporting regulations which changes existing references to 'summary financial statements' to 'strategic report with supplementary information' which will reflect the new requirement for the production of a strategic report.

Timing

The new Listing Rules will be effective from 13 December 2013 and apply to all companies with financial years ending on or after 30 September 2013 that have not published their annual financial report before 13 December 2013.

Companies already preparing their report can continue to publish the report after 13 December 2013 in compliance with both the existing Listing Rules and the new remuneration reporting requirements if they choose to do so.

Deloitte view

The removal of most of the requirements in LR 9.8.8 avoids the potential for duplication and confusion between the requirements of the new remuneration report regulations and the current Listing Rules. We therefore welcome removal of these rules. Given the disclosures now covered by the new regulations we do not believe any critical information will be lost by removing these provisions.

We also welcome the decision to make the new rules effective from 13 December which means that any remuneration reports published after this date need only comply with the new directors' remuneration reporting regulations.

The policy statement can be found by following this link:

<http://www.fca.org.uk/static/documents/policy-statements/ps13-11.pdf>

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