

**2005 No. 56**

**COMPANIES**

**The Directors' Remuneration Report Regulations  
(Northern Ireland) 2005**

*Made - - - - - 1st March 2005*

*Coming into operation 30th March 2005*

*To be laid before Parliament under paragraph 7(3) of the  
Schedule to the Northern Ireland Act 2000*

The Department of Enterprise, Trade and Investment(a), in exercise of the powers conferred on it by Article 265 of the Companies (Northern Ireland) Order 1986(b) and of all other powers enabling it in that behalf, hereby makes the following Regulations:

**Citation, commencement and interpretation**

**1.**—(1) These Regulations may be cited as the Directors' Remuneration Report Regulations (Northern Ireland) 2005.

(2) These Regulations shall come into operation on 30th March 2005 and shall have effect as respects companies' financial years beginning on or after 1st April 2005.

(3) In these Regulations, "the Order" means the Companies (Northern Ireland) Order 1986.

**Disclosure required in notes to accounts**

**2.** For Article 240(1) of the Order(c) (disclosure of directors' emoluments, etc. in notes to accounts) 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 to 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 Article 242A of the Order(d) (approval and signing of directors' report), insert –

*“Quoted companies: directors' remuneration report*

**Duty to prepare directors' remuneration report**

**242B.**—(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

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(a) Formerly the Department of Economic Development; see S.I. 1999/283 (N.I. 1), Article 3(5)  
(b) S.I. 1986/1032 (N.I. 6); Article 265 was inserted into the 1986 Order by Article 22 of the Companies (Northern Ireland) Order 1990 (S.I. 1990/593 (N.I. 5)) in place of an existing Article of that number  
(c) Article 240 was inserted into the 1986 Order by Article 8(3) of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number  
(d) Article 242A was inserted into the 1986 Order by Article 10 of the Companies (Northern Ireland) Order 1990

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 I is introductory,

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

Part III relates to detailed information about directors' remuneration (information included under Part III is required to be reported on by the auditors, see Article 243), and

Part IV 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 paragraph (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 II and III of Schedule 7A.

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

#### **Approval and signing of directors' remuneration report**

**242C.**—(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 Article 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 Article,

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 Article 243 of the Order(a) (auditors' report), after paragraph (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

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(a) Article 243 was inserted into the 1986 Order by Article 11 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

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

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

### **Duties of auditors**

5. In Article 245(1) of the Order(a) (auditors' duty to carry out investigations), after subparagraph (b), delete "." and 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 Article 245(4) of the Order (auditors' statement of directors' emoluments, etc.), 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 III 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 Article 249 of the Order(b) (accounts and reports to be laid before company in general meeting), insert –

#### **“Members' approval of directors' remuneration report**

**249A.**—(1) This Article applies to every company that is a quoted company immediately before the end of a financial year.

(2) In this Article “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 paragraph (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) Paragraph (5) has effect notwithstanding –

(a) any default in complying with paragraphs (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 Article.

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(a) Article 245 was inserted into the 1986 Order by Article 11 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(b) Article 249 was inserted into the 1986 Order by Article 13 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(9) In the event of default in complying with the requirements of paragraphs (3) and (4), every officer of the company who is in default is guilty of an offence and 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 paragraph (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 at the meeting.

(12) In this Article “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) Article 259 of the Order<sup>(a)</sup> (provision of summary financial information to shareholders) shall be amended as follows.

(2) For paragraph (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 Department.”.

(3) For paragraph (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 Article 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) Article 245(2); or
  - (ii) Article 245(3),

and if so, set out the statement in full.”.

### **Content of directors’ remuneration report**

**9.** After Schedule 7 to the Order (matters to be dealt with in directors’ report) insert the Schedule 7A which is set out in the Schedule.

### **Minor and consequential amendments**

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

(2) In Article 245(2) (duties of auditors), 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

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(a) Article 259 was inserted into the 1986 Order by Article 17 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and amended by S.R. 1993 No. 220, S.I. 2001/3649 and S.R. 2003 No. 3

company the auditable part of its directors' remuneration report is not in agreement with the accounting records and returns.”.

(3) In Article 246(1)(a) (persons entitled to receive copies of accounts and reports), 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 paragraph (1A),”.

(4) In Article 246, after paragraph (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 Article 246(4A)(b), for “a company's annual accounts, of the directors' report and of the auditors' report” substitute “the documents mentioned in paragraph (1A)”.

(6) In Article 247(1)(a) (right to demand copies of accounts and reports), 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 Article 249(1) (accounts and reports to be laid before company in general meeting), 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 Article 250(1)(c) (accounts and reports to be delivered to the registrar), 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 Article 253(d) (voluntary revision of annual accounts or directors' report) –

- (a) in paragraph (1), after “a revised directors' report” after “directors' report” insert “or directors' remuneration report”; and

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(a) Articles 246 and 247 were inserted into the 1986 Order by Article 12 of the Companies (Northern Ireland) Order 1990 in place of existing Articles of those numbers

(b) Article 246(4A) was inserted into the 1986 Order by S.R. 2003 No. 3

(c) Article 250 was inserted into the 1986 Order by Article 13 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(d) Article 253 was inserted into the 1986 Order by Article 14 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number and amended by S.R. 1995 No. 128

(b) in paragraph (3), after “a revised directors’ report” insert “or a revised directors’ remuneration report”.

(10) In Article 253B(3)(b)(a) (application to court in respect of defective accounts) after “directors’ report” insert “, directors’ remuneration report”.

(11) In Article 270(1)(b) (minor definitions), 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 sub-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 Article 270A(c) (index of defined expressions), after the entry for “associated undertaking” insert –

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“auditable part (of a directors’ remuneration report)	Article 243(5)”
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and, after the entry for “qualified” insert –

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“quoted company	Article 270(1)”.
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(13) In Schedule 6 (disclosure of information: emoluments and other benefits of directors and others) –

(a) after the heading for Part I (and before the cross-heading preceding paragraph 1) insert –

#### “CHAPTER I

##### 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 heading for paragraph 2) insert –

#### “CHAPTER II

##### PROVISIONS APPLYING ONLY TO UNQUOTED COMPANIES.

(14) In Schedule 23 (punishment of offences under this Order) insert –

(a) after the entry for Article 242A(4),

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“242B(3)	Non-compliance with requirements as to preparation and content of directors’ remuneration report	Summary	One fifth of the statutory maximum.
242B(6)	Default in complying with Article 242B(5)	Summary	One fifth of the statutory maximum.
242C(4)	Non-compliance with requirements as to signing etc. of directors’ remuneration report	Summary	One fifth of the statutory maximum.

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(a) Article 253B was inserted into the 1986 Order by Article 14 of the Companies (Northern Ireland) Order 1990

(b) Article 270 was inserted into the 1986 Order by Article 24 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and amended by S.R. 1993 No. 199

(c) Article 270A was inserted into the 1986 Order by Article 24 of the Companies (Northern Ireland) Order 1990, and amended in a manner not relevant to these Regulations

(b) after the entry for Article 249(2) or 250(2),

“249A(9)	Default in complying with the requirements of Article 249A(3) and (4)	Summary	One fifth of the statutory maximum
249A(10)	Failure to put resolution to vote of meeting	Summary	One fifth of the statutory maximum.”

Sealed with the Official Seal of the Department of Enterprise, Trade and Investment on 1st March 2005.

(L.S.)

*M. Bohill*

A senior officer of the Department of Enterprise, Trade and Investment

## DIRECTORS' REMUNERATION REPORT

## PART I

## INTRODUCTORY

1.—(1) In the directors' remuneration report for a financial year (“the relevant financial year”) there shall be shown the information specified in Parts II and III.

(2) Information required to be shown in the report for or in respect of a particular person shall be shown in the report in a manner that links the information to that person identified by name.

## PART II

## INFORMATION NOT SUBJECT TO AUDIT

*Consideration by the directors of matters relating to directors' remuneration*

2.—(1) If a committee of the company's directors has considered matters relating to the directors' remuneration for the relevant financial year, the directors' remuneration report shall –

- (a) name each director who was a member of the committee at any time when the committee was considering any such matter;
- (b) name any person who provided to the committee advice, or services, that materially assisted the committee in their consideration of any such matter;
- (c) in the case of any such person named under head (b), who is not a director of the company, state –
  - (i) the nature of any other services that that person has provided to the company during the relevant financial year; and
  - (ii) whether that person was appointed by the committee.

(2) In sub-paragraph (1)(b) “person” includes (in particular) any director of the company who does not fall within sub-paragraph (1)(a).

*Statement of company's policy on directors' remuneration*

3.—(1) The directors' remuneration report shall contain a statement of the company's policy on directors' remuneration for the following financial year and for financial years subsequent to that.

- (2) The policy statement shall include –
  - (a) for each director, a detailed summary of any performance conditions to which any entitlement of the director –
    - (i) to share options, or
    - (ii) under a long-term incentive scheme,
 is subject;
  - (b) an explanation as to why any such performance conditions were chosen;
  - (c) a summary of the methods to be used in assessing whether any such performance conditions are met and an explanation as to why those methods were chosen;
  - (d) if any such performance condition involves any comparison with factors external to the company –
    - (i) a summary of the factors to be used in making each such comparison, and
    - (ii) if any of the factors relates to the performance of another company, of two or more other companies or of an index on which the securities of a company or companies are listed, the identity of that company, of each of those companies or of the index;
  - (e) a description of, and an explanation for, any significant amendment proposed to be made to the terms and conditions of any entitlement of a director to share options or under a long-term incentive scheme; and
  - (f) if any entitlement of a director to share options, or under a long-term incentive scheme, is not subject to performance conditions, an explanation as to why that is the case.

(3) The policy statement shall, in respect of each director's terms and conditions relating to remuneration, explain the relative importance of those elements which are, and those which are not, related to performance.



- (4) The policy statement shall summarise, and explain, the company's policy on –
  - (a) the duration of contracts with directors, and
  - (b) notice periods, and termination payments, under such contracts.

(5) In sub-paragraphs (2) and (3), references to a director are to any person who serves as a director of the company at any time in the period beginning with the end of the relevant financial year and ending with the date on which the directors' remuneration report is laid before the company in general meeting.

#### *Performance graph*

4.—(1) The directors' remuneration report shall –

- (a) contain a line graph that shows for each of –
  - (i) a holding of shares of that class of the company's equity share capital whose listing, or admission to dealing, has resulted in the company falling within the definition of quoted company, and
  - (ii) a hypothetical holding of shares made up of shares of the same kinds and number as those by reference to which a broad equity market index is calculated,

a line drawn by joining up points plotted to represent, for each of the financial years in the relevant period, the total shareholder return on that holding; and

- (b) state the name of the index selected for the purposes of the graph and set out the reasons for selecting that index.

(2) For the purposes of sub-paragraphs (1) and (4), "relevant period" means the five financial years of which the last is the relevant financial year.

(3) Where the relevant financial year –

- (a) is the company's second, third or fourth financial year, sub-paragraph (2) has effect with the substitution of "two", "three" or "four" (as the case may be) for "five"; and
- (b) is the company's first financial year, "relevant period", for the purposes of sub-paragraphs (1) and (4), means the relevant financial year.

(4) For the purposes of sub-paragraph (1), the "total shareholder" return for a relevant period on a holding of shares must be calculated using a fair method that –

- (a) takes as its starting point the percentage change over the period in the market price of the holding;
- (b) involves making –
  - (i) the assumptions specified in sub-paragraph (5) as to reinvestment of income, and
  - (ii) the assumption specified in sub-paragraph (7) as to the funding of liabilities; and
- (c) makes provision for any replacement of shares in the holding by shares of a different description;

and the same method must be used for each of the holdings mentioned in sub-paragraph (1).

(5) The assumptions as to reinvestment of income are –

- (a) that any benefit in the form of shares of the same kind as those in the holding is added to the holding at the time the benefit becomes receivable; and
- (b) that any benefit in cash, and an amount equal to the value of any benefit not in cash and not falling within head (a), is applied at the time the benefit becomes receivable in the purchase at their market price of shares of the same kind as those in the holding and that the shares purchased are added to the holding at that time.

(6) In sub-paragraph (5) "benefit" means any benefit (including, in particular, any dividend) receivable in respect of any shares in the holding by the holder from the company of whose share capital the shares form part.

(7) The assumption as to the funding of liabilities is that, where the holder has a liability to the company of whose capital the shares in the holding form part, shares are sold from the holding –

- (a) immediately before the time by which the liability is due to be satisfied, and
- (b) in such numbers that, at the time of the sale, the market price of the shares sold equals the amount of the liability in respect of the shares in the holding that are not being sold.

(8) In sub-paragraph (7) "liability" means a liability arising in respect of any shares in the holding or from the exercise of a right attached to any of those shares.

*Service contracts*

5.—(1) The directors' remuneration report shall contain, in respect of the contract of service or contract for services of each person who has served as a director of the company at any time during the relevant financial year, the following information –

- (a) the date of the contract, the unexpired term and the details of any notice periods;
- (b) any provision for compensation payable upon early termination of the contract; and
- (c) such details of other provisions in the contract as are necessary to enable members of the company to estimate the liability of the company in the event of early termination of the contract.

(2) The directors' remuneration report shall contain an explanation for any significant award made to a person in the circumstances described in paragraph 14.

PART III

INFORMATION SUBJECT TO AUDIT

*Amount of each director's emoluments and compensation in the relevant financial year*

6.—(1) The directors' remuneration report shall for the relevant financial year show, for each person who has served as a director of the company at any time during that year, each of the following –

- (a) the total amount of salary and fees paid to or receivable by the person in respect of qualifying services;
- (b) the total amount of bonuses so paid or receivable;
- (c) the total amount of sums paid by way of expenses allowance that are –
  - (i) chargeable to United Kingdom income tax (or would be if the person were an individual); and
  - (ii) paid to or receivable by the person in respect of qualifying services;
- (d) the total amount of –
  - (i) any compensation for loss of office paid to or receivable by the person, and
  - (ii) any other payments paid to or receivable by the person in connection with the termination of qualifying services;
- (e) the total estimated value of any benefits received by the person otherwise than in cash that –
  - (i) do not fall within any of heads (a) to (d) or paragraphs 7 to 11,
  - (ii) are emoluments of the person, and
  - (iii) are received by the person in respect of qualifying services; and
- (f) the amount that is the total of the sums mentioned in heads (a) to (e).

(2) The directors' remuneration report shall show, for each person who has served as a director of the company at any time during the relevant financial year, the amount that for the financial year preceding the relevant financial year is the total of the sums mentioned in heads (a) to (e) of sub-paragraph (1).

(3) The directors' remuneration report shall also state the nature of any element of a remuneration package which is not cash.

(4) The information required by sub-paragraphs (1) and (2) shall be presented in tabular form.

*Share options*

7.—(1) The directors' remuneration report shall contain, in respect of each person who has served as a director of the company at any time in the relevant financial year, the information specified in paragraph 8.

(2) Sub-paragraph (1) is subject to paragraph 9.

(3) The information specified in sub-paragraphs (a) to (c) of paragraph 8 shall be presented in tabular form in the report.

(4) In paragraph 8 "share option", in relation to a person, means a share option granted in respect of qualifying services of the person.

8. The information required by sub-paragraph (1) of paragraph 7 in respect of such a person as is mentioned in that sub-paragraph is –

- (a) the number of shares that are subject to a share option –

- (i) at the beginning of the relevant financial year or, if later, on the date of the appointment of the person as a director of the company, and
  - (ii) at the end of the relevant financial year or, if earlier, on the cessation of the person's appointment as a director of the company,
- in each case differentiating between share options having different terms and conditions;
- (b) information identifying those share options that have been awarded in the relevant financial year, those that have been exercised in that year, those that in that year have expired unexercised and those whose terms and conditions have been varied in that year;
  - (c) for each share option that is unexpired at any time in the relevant financial year –
    - (i) the price paid, if any, for its award,
    - (ii) the exercise price,
    - (iii) the date from which the option may be exercised, and
    - (iv) the date on which the option expires;
  - (d) a description of any variation made in the relevant financial year in the terms and conditions of a share option;
  - (e) a summary of any performance criteria upon which the award or exercise of a share option is conditional, including a description of any variation made in such performance criteria during the relevant financial year;
  - (f) for each share option that has been exercised during the relevant financial year, the market price of the shares, in relation to which it is exercised, at the time of exercise; and
  - (g) for each share option that is unexpired at the end of the relevant financial year –
    - (i) the market price at the end of that year, and
    - (ii) the highest and lowest market prices during that year,
 of each share that is subject to the option.

9.—(1) If, in the opinion of the directors of the company, disclosure in accordance with paragraphs 7 and 8 would result in a disclosure of excessive length then, (subject to sub-paragraphs (2) and (3)) –

- (a) information disclosed for a person under paragraph 8(a) need not differentiate between share options having different terms and conditions;
- (b) for the purposes of disclosure in respect of a person under paragraph 8(c)(i) and (ii) and (g), share options may be aggregated and (instead of disclosing prices for each share option) disclosure may be made of weighted average prices of aggregations of share options;
- (c) for the purposes of disclosure in respect of a person under paragraph 8(c)(iii) and (iv), share options may be aggregated and (instead of disclosing dates for each share option) disclosure may be made of ranges of dates for aggregation of share options.

(2) Sub-paragraph (1)(b) and (c) does not permit the aggregation of –

- (a) share options in respect of shares whose market price at the end of the relevant financial year is below the option exercise price, with
- (b) share options in respect of shares whose market price at the end of the relevant financial year is equal to, or exceeds, the option exercise price.

(3) Sub-paragraph (1) does not apply (and accordingly, full disclosure must be made in accordance with paragraphs 7 and 8) in respect of share options that during the relevant financial year have been awarded or exercised or had their terms and conditions varied.

#### *Long-term incentive schemes*

10.—(1) The directors' remuneration report shall contain, in respect of each person who has served as a director of the company at any time in the relevant financial year, the information specified in paragraph 11.

(2) Sub-paragraph (1) does not require the report to contain share option details that are contained in the report in compliance with paragraphs 7 to 9.

(3) The information specified in paragraph 11 shall be presented in tabular form in the report.

(4) For the purposes of paragraph 11 –

- (a) "scheme interest", in relation to a person, means an interest under a long-term incentive scheme that is an interest in respect of which assets may become receivable under the scheme in respect of qualifying services of the person; and
- (b) such an interest "vests" at the earliest time when –

- (i) it has been ascertained that the qualifying conditions have been fulfilled, and
- (ii) the nature and quantity of the assets receivable under the scheme in respect of the interest have been ascertained.

(5) In this Schedule “long-term incentive scheme” means any agreement or arrangement under which money or other assets may become receivable by a person and which includes one or more qualifying conditions with respect to service or performance that cannot be fulfilled within a single financial year, and for this purpose the following shall be disregarded, namely –

- (a) any bonus the amount of which falls to be determined by reference to service or performance within a single financial year;
- (b) compensation in respect of loss of office, payments for breach of contract and other termination payments; and
- (c) retirement benefits.

11.—(1) The information required by sub-paragraph (1) of paragraph 10 in respect of such a person as is mentioned in that sub-paragraph is –

- (a) details of the scheme interests that the person has at the beginning of the relevant financial year or if later on the date of the appointment of the person as a director of the company;
- (b) details of the scheme interests awarded to the person during the relevant financial year;
- (c) details of the scheme interests that the person has at the end of the relevant financial year or if earlier on the cessation of the person’s appointment as a director of the company;
- (d) for each scheme interest within heads (a) to (c) –
  - (i) the end of the period over which the qualifying conditions for that interest have to be fulfilled (or if there are different periods for different conditions, the end of whichever of those periods ends last); and
  - (ii) a description of any variation made in the terms and conditions of the scheme interests during the relevant financial year; and
- (e) for each scheme interest that has vested in the relevant financial year –
  - (i) the relevant details (see sub-paragraph (3)) of any shares,
  - (ii) the amount of any money, and
  - (iii) the value of any other assets,
 that have become receivable in respect of the interest.

(2) The details that sub-paragraph (1)(b) requires of a scheme interest awarded during the relevant financial year include, if shares may become receivable in respect of the interest, the following –

- (a) the number of those shares;
- (b) the market price of each of those shares when the scheme interest was awarded; and
- (c) details of qualifying conditions that are conditions with respect to performance.

(3) In sub-paragraph (1)(e)(i) “the relevant details”, in relation to any shares that have become receivable in respect of a scheme interest, means –

- (a) the number of those shares,
- (b) the date on which the scheme interest was awarded;
- (c) the market price of each of those shares when the scheme interest was awarded;
- (d) the market price of each of those shares when the scheme interest vested; and
- (e) details of qualifying conditions that were conditions with respect to performance.

#### *Pensions*

12.—(1) The directors’ remuneration report shall, for each person who has served as a director of the company at any time during the relevant year, contain the information in respect of pensions that is specified in sub-paragraphs (2) and (3).

(2) Where the person has rights under a pension scheme that is a defined benefit scheme in relation to the person and any of those rights are rights to which he has become entitled in respect of qualifying services of his –

- (a) details –
  - (i) of any changes during the relevant financial year in the person’s accrued benefits under the scheme, and
  - (ii) of the person’s accrued benefits under the scheme as at the end of that year;
- (b) the transfer value, calculated in a manner consistent with “Retirement Benefit Schemes – Transfer Values (GN 11)” published by the Institute of Actuaries and the Faculty of Actuaries

and dated 6th April 2001, of the person's accrued benefits under the scheme at the end of the relevant financial year;

- (c) the transfer value of the person's accrued benefits under the scheme that in compliance with head (b) was contained in the director's remuneration report for the previous financial year or, if there was no such report or no such value was contained in that report, the transfer value, calculated in such a manner as is mentioned in head (b), of the person's accrued benefits under the scheme at the beginning of the relevant financial year;
- (d) the amount obtained by subtracting –
  - (i) the transfer value of the person's accrued benefits under the scheme that is required to be contained in the report by head (c), from
  - (ii) the transfer value of those benefits that is required to be contained in the report by head (b),

and then subtracting from the result of that calculation the amount of any contributions made to the scheme by the person in the relevant financial year.

- (3) Where –
  - (a) the person has rights under a pension scheme that is a money purchase scheme in relation to the person, and
  - (b) any of those rights are rights to which he has become entitled in respect of qualifying services of his,

details of any contribution to the scheme in respect of the person that is paid or payable by the company for the relevant financial year or paid by the company in that year for another financial year.

#### *Excess retirement benefits of directors and past directors*

13.—(1) Subject to sub-paragraph (3), the directors' remuneration report shall show in respect of each person who has served as a director of the company –

- (a) at any time during the relevant financial year; or
- (b) at any time before the beginning of that year;

the amount of so much of retirement benefits paid to or receivable by the person under pension schemes as is in excess of the retirement benefits to which he was entitled on the date on which the benefits first became payable or 1st April 1999, whichever is the later.

(2) In sub-paragraph (1) "retirement benefits" means retirement benefits to which the person became entitled in respect of qualifying services of his.

(3) Amounts paid or receivable under a pension scheme need not be included in an amount required to be shown under sub-paragraph (1) if –

- (a) the funding of the scheme was such that the amounts were or, as the case may be, could have been paid without recourse to additional contributions; and
- (b) amounts were paid to or receivable by all pensioner members of the scheme on the same basis;

and in this sub-paragraph "pensioner member", in relation to a pension scheme, means any person who is entitled to the present payment of retirement benefits under the scheme.

- (4) In this paragraph –
  - (a) references to retirement benefits include benefits otherwise than in cash; and
  - (b) in relation to so much of retirement benefits as consists of a benefit otherwise than in cash, references to their amount are to the estimated money value of the benefit;

and the nature of any such benefit shall also be shown in the report.

#### *Compensation for past directors*

14. The directors' remuneration report shall contain details of any significant award made in the relevant financial year to any person who was not a director of the company at the time the award was made but had previously been a director of the company, including (in particular) compensation in respect of loss of office and pensions but excluding any sums which have already been shown in the report under paragraph 6(1)(d).

#### *Sums paid to third parties in respect of a director's services*

15.—(1) The directors' remuneration report shall show, in respect of each person who served as a director of the company at any time during the relevant financial year, the aggregate amount of any consideration paid to or receivable by third parties for making available the services of the person –

- (a) as a director of the company, or

- (b) while director of the company –
  - (i) as director of any of its subsidiary undertakings, or
  - (ii) as director of any other undertaking of which he was (while director of the company) a director by virtue of the company's nomination (direct or indirect), or
  - (iii) otherwise in connection with the management of the affairs of the company or any such other undertaking.

(2) The reference to consideration includes benefits otherwise than in cash, and in relation to such consideration the reference to its amount is to the estimated money value of the benefit. The nature of any such consideration shall be shown in the report.

- (3) The reference to third parties is to persons other than –
  - (a) the person himself or a person connected with him or a body corporate controlled by him; and
  - (b) the company or any such undertaking as is mentioned in sub-paragraph (1)(b)(ii).

#### PART IV

##### INTERPRETATION AND SUPPLEMENTARY

16.—(1) In this Schedule –

“amount”, in relation to a gain made on the exercise of a share option, means the difference between –

- (a) the market price of the shares on the day on which the option was exercised; and
- (b) the price actually paid for the shares;

“company contributions”, in relation to a pension scheme and a person, means any payments (including insurance premiums) made, or treated as made, to the scheme in respect of the person by anyone other than the person;

“defined benefit scheme”, in relation to a person, means a pension scheme which is not a money purchase scheme in relation to the person;

“emoluments” of a person –

- (a) includes salary, fees and bonuses, sums paid by way of expenses allowance (so far as they are chargeable to United Kingdom income tax or would be if the person were an individual) but,
- (b) does not include any of the following, namely –
  - (i) the value of any share options granted to him or the amount of any gains made on the exercise of any such options;
  - (ii) any company contributions paid, or treated as paid, in respect of him under any pension scheme or any benefits to which he is entitled under any such scheme; or
  - (iii) any money or other assets paid to or received or receivable by him under any long-term incentive scheme;

“long-term incentive scheme” has the meaning given by paragraph 10(5);

“money purchase benefits”, in relation to a person, means retirement benefits the rate or amount of which is calculated by reference to payments made, or treated as made, by the person or by any other person in respect of that person and which are not average salary benefits;

“money purchase scheme”, in relation to a person, means a pension scheme under which all of the benefits that may become payable to or in respect of the person are money purchase benefits in relation to the person;

“pension scheme” means a retirement benefits scheme within the meaning given by section 611 of the Income and Corporation Taxes Act 1988;

“qualifying services”, in relation to any person, means his services as a director of the company, and his services at any time while he is a director of the company –

- (a) as a director of an undertaking that is a subsidiary undertaking of the company at that time;
- (b) as a director of any other undertaking of which he is a director by virtue of the company's nomination (direct or indirect); or
- (c) otherwise in connection with the management of the affairs of the company or any such subsidiary undertaking or any such other undertaking;

“retirement benefits” means relevant benefits within the meaning given by section 612(1) of the Income and Corporation Taxes Act 1988;

“shares” means shares (whether allotted or not) in the company, or any undertaking which is a group undertaking in relation to the company, and includes a share warrant as defined by Article 198(1);

“share option” means a right to acquire shares;

“value”, in relation to shares received or receivable on any day by a person who is or has been a director of the company, means the market price of the shares on that day.

(2) In this Schedule “compensation in respect of loss of office” includes compensation received or receivable by a person for –

- (a) loss of office as director of the company, or
- (b) loss, while director of the company or on or in connection with his ceasing to be director of it, of –
  - (i) any other office in connection with the management of the company’s affairs, or
  - (ii) any office as director or otherwise in connection with the management of the affairs of any undertaking that, immediately before the loss, is a subsidiary undertaking of the company or an undertaking of which he is a director by virtue of the company’s nomination (direct or indirect);
- (c) compensation in consideration for, or in connection with, a person’s retirement from office; and
- (d) where such a retirement is occasioned by a breach of the person’s contract with the company or with an undertaking that, immediately before the breach, is a subsidiary undertaking of the company or an undertaking of which he is a director by virtue of the company’s nomination (direct or indirect) –
  - (i) payments made by way of damages for the breach; or
  - (ii) payments made by way of settlement or compromise of any claim in respect of the breach.

(3) References in this Schedule to compensation include benefits otherwise than in cash; and in relation to such compensation references in this Schedule to its amount are to the estimated money value of the benefit.

(4) References in this Schedule to a person being “connected” with a director, and to a director “controlling” a body corporate, shall be construed in accordance with Article 354.

17.—(1) For the purposes of this Schedule emoluments paid or receivable or share options granted in respect of a person’s accepting office as a director shall be treated as emoluments paid or receivable or share options granted in respect of his services as a director.

(2) Where a pension scheme provides for any benefits that may become payable to or in respect of a person to be whichever are the greater of –

- (a) such benefits determined by or under the scheme as are money purchase benefits in relation to the person; and
- (b) such retirement benefits determined by or under the scheme to be payable to or in respect of the person as are not money purchase benefits in relation to the person,

the company may assume for the purposes of this Schedule that those benefits will be money purchase benefits in relation to the person, or not, according to whichever appears more likely at the end of the relevant financial year.

(3) In determining for the purposes of this Schedule whether a pension scheme is a money purchase scheme in relation to a person or a defined benefit scheme in relation to a person, any death in service benefits provided for by the scheme shall be disregarded.

18.—(1) The following applies with respect to the amounts to be shown under this Schedule.

(2) The amount in each case includes all relevant sums paid by or receivable from –

- (a) the company; and
- (b) the company’s subsidiary undertakings; and
- (c) any other person,

except sums to be accounted for to the company or any of its subsidiary undertakings or any other undertaking of which any person has been a director while director of the company, by virtue of Articles 322 and 323, to past or present members of the company or any of its subsidiaries or any class of those members.

(3) References to amounts paid to or receivable by a person include amounts paid to or receivable by a person connected with him or a body corporate controlled by him (but not so as to require an amount to be counted twice).

19.—(1) The amounts to be shown for any financial year under Part III are the sums receivable in respect of that year (whenever paid) or, in the case of sums not receivable in respect of a period, the sums paid during that year.

(2) But where –

(a) any sums are not shown in the directors' remuneration report for the relevant financial year on the ground that the person receiving them is liable to account for them as mentioned in paragraph 18(2), but the liability is thereafter wholly or partly released or is not enforced within a period of 2 years; or

(b) any sums paid by way of expenses allowance are charged to United Kingdom income tax after the end of the relevant financial year or, in the case of any such sums paid otherwise than to an individual, it does not become clear until the end of the relevant financial year that those sums would be charged to such tax were the person an individual,

those sums shall, to the extent to which the liability is released or not enforced or they are charged as mentioned above (as the case may be), be shown in the first directors' remuneration report in which it is practicable to show them and shall be distinguished from the amounts to be shown apart from this provision.

20. Where it is necessary to do so for the purpose of making any distinction required by the preceding paragraphs in an amount to be shown in compliance with this Part, the directors may apportion any payments between the matters in respect of which these have been paid or are receivable in such manner as they think appropriate.

21. This Schedule requires information to be given only so far as it is contained in the company's books and papers, available to members of the public or the company has the right to obtain it.”.



## EXPLANATORY NOTE

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

Schedule 6 to the Companies (Northern Ireland) Order 1986 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 III of Schedule 7A has been properly prepared in accordance with the Companies (Northern Ireland) Order 1986. To the extent that the requirements of Schedule 6 or Part III 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 Article 259 of the Companies (Northern Ireland) Order 1986 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 (Northern Ireland) 1996 (S.R. 1996 No. 179) as amended by the Companies (Summary Financial Statement) (Amendment) Regulations (Northern Ireland) 2005 (S.R. 2005 No. 57).

Regulation 7 inserts a new Article 249A into the Companies (Northern Ireland) Order 1986 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 II 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 II requires certain information to be set out concerning each director's contract of service or contract for services.

Part III 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.





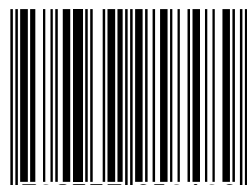
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