

## SCHEDULE 1

Article 4(3)

### Disclosure of auditor remuneration

#### 1. After Schedule 10B to the 1986 Act<sup>(1)</sup> insert—

#### “SCHEDULE 10C

Section 72M

#### Disclosure of auditor remuneration etc required in notes to accounts

##### *Disclosure required*

##### 1.—(1) The following must be shown—

- (a) the amount of any remuneration receivable by the society’s auditor for the auditing of the annual accounts, and
- (b) the amount of any remuneration receivable in respect of the financial year by—
  - (i) the society’s auditor, or
  - (ii) any person who was, at any time during that financial year, an associate of the society’s auditor,

for the supply of other services to the society or any associate of the society.

(2) Where the remuneration includes benefits in kind, the nature and estimated money-value of those benefits must also be shown.

(3) Separate disclosure is required in respect of the auditing of the accounts in question and of each type of service specified in paragraph 2, but not in respect of each service falling within a type of service.

(4) Separate disclosure is required in respect of services supplied to the society and its subsidiaries on the one hand and to associated pension schemes on the other.

(5) Where more than one person has been appointed as a society’s auditor in respect of the financial year, separate disclosure is required in respect of the remuneration of each such person and his associates.

##### (6) Where a building society is required to prepare consolidated group accounts—

- (a) those accounts must comply with sub-paragraph (1)(b) as if the undertakings included in the consolidation were a single building society, and
- (b) notes to the society’s individual accounts do not have to disclose the information required by that provision if the notes state that the group accounts are so required.

##### *Types of service*

##### 2. The types of service in respect of which disclosure is required are—

- (a) the auditing of accounts of associates of the society pursuant to legislation (including that of countries and territories outside the United Kingdom);
- (b) other services supplied pursuant to such legislation;
- (c) other services relating to taxation;
- (d) services relating to information technology;
- (e) internal audit services;

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(1) Schedule 10B was inserted by [S.I. 2004/3380](#).

*Status: This is the original version (as it was originally made).*

- (f) valuation and actuarial services;
- (g) services relating to litigation;
- (h) services relating to recruitment and remuneration;
- (i) services relating to corporate finance transactions entered into or proposed to be entered into on behalf of the society or any of its associates;
- (j) all other services.

*Disclosure not required of remuneration for certain services provided by distant associate*

**3.—**(1) Disclosure is not required of remuneration receivable for the supply of services falling within paragraph 2(j) supplied by a distant associate of the society's auditor where the total remuneration receivable for all of those services supplied by that associate does not exceed—

- (a) £10,000, or
  - (b) 1% of the total audit remuneration received by the society's auditor in the most recent financial year of the auditor which ended no later than the end of the financial year of the society to which the accounts relate.
- (2) In sub-paragraph (1)(b)—
- (a) “financial year of the auditor” means—
    - (i) the period of not more than 18 months in respect of which the auditor's profit and loss account is required to be made up (whether by law or by or in accordance with the auditor's constitution (if any)), or
    - (ii) failing any such requirement, the period of 12 months beginning with 1st April;
  - (b) “total audit remuneration received” means the total remuneration received for the auditing pursuant to legislation (including that of countries and territories outside the United Kingdom) of any accounts of any person.

*Duty of auditor to supply information*

**4.** The auditor of a building society must supply the directors of the society with such information as is necessary to enable the disclosure required by paragraph 1 to be made.

*Meaning of “associate” and “distant associate” of auditor*

**5.—**(1) This paragraph defines what is meant in this Schedule by an “associate” or a “distant associate” of a building society's auditor.

- (2) The following are associates of a society's auditor—
- (a) any person controlled by the society's auditor or by any associate of the society's auditor (whether alone or through two or more persons acting together to secure or exercise control), but only if that control does not arise solely by virtue of the society's auditor or any associate of the society's auditor acting—
    - (i) as an insolvency practitioner in relation to any person,
    - (ii) in the capacity of a receiver, or a receiver or manager, of the property of a society or other body corporate, or
    - (iii) as a judicial factor on the estate of any person;
  - (b) any person who, or group of persons acting together which, has control of the society's auditor;

- (c) any person using a trading name which is the same as or similar to a trading name used by the society's auditor, but only if the society's auditor uses that trading name with the intention of creating the impression of a connection between the auditor and that other person;
  - (d) any person who is party to an arrangement with the society's auditor, with or without any other person, under which costs, profits, quality control, business strategy or significant professional resources are shared.
- (3) Where the society's auditor is a partnership, the following are also associates of the auditor—
- (a) any partner in the society's auditor;
  - (b) any body corporate which is in the same group as a body corporate which is a partner in the society's auditor;
  - (c) any body corporate of which a partner in the society's auditor is a director;
  - (d) any partnership which has a partner in common with the society's auditor;
  - (e) any body corporate which is in the same group as a body corporate which is a partner in a partnership which has a partner in common with the society's auditor.
- (4) Where a society's auditor is a body corporate (other than one which is also a partnership as defined in sub-paragraph (6)(d)), the following are also associates of the auditor—
- (a) any director of the society's auditor;
  - (b) any body corporate which is in the same group as a body corporate which is a director of the society's auditor;
  - (c) any body corporate which is in the same group as the society's auditor;
  - (d) any partnership in which any such body corporate which is in the same group as the society's auditor is a partner;
  - (e) any partnership in which a director of the society's auditor is a partner;
  - (f) any body corporate which has a director in common with the society's auditor;
  - (g) any body corporate which is in the same group as a body corporate which has a director in common with the society's auditor.
- (5) A distant associate of a society's auditor is a person who is an associate of that auditor by reason only that that person is an associate within one or more of—
- (a) sub-paragraph (2)(a) where the person in question is controlled by a distant associate of the society's auditor and not by the auditor or by an associate who is not a distant associate;
  - (b) sub-paragraph (3)(c), (d) or (e);
  - (c) sub-paragraph (4)(e), (f) or (g).
- (6) For the purposes of this paragraph—
- (a) "acting as an insolvency practitioner" shall be construed in accordance with section 388 of the Insolvency Act 1986 or Article 3 of the Insolvency (Northern Ireland) Order 1989;
  - (b) "director" includes any person occupying the position of director, by whatever name called;
  - (c) "partner" includes a member of a limited liability partnership;
  - (d) "partnership" includes a limited liability partnership and a partnership constituted under the law of a country or a territory outside the United Kingdom;

**Status:** This is the original version (as it was originally made).

- (e) a reference to “a receiver, or a receiver or manager, of the property of a society or other body corporate” includes a receiver, or (as the case may be) a receiver or manager, of part only of that property;
- (f) a person able, directly or indirectly to control or materially to influence the operating and financial policy of another person shall be treated as having control of that other person; and
- (g) a body corporate is in the same group as another body corporate if one is a subsidiary of the other.

#### *Interpretation*

**6.** In this Schedule—

“associate of the society” means—

- (a) any subsidiary of the society, other than a subsidiary in respect of which severe long-term restrictions substantially hinder the exercise of rights of the society over the assets or management of that subsidiary, or
- (b) any associated pension scheme;

“associated pension scheme”, in relation to a building society, means a scheme for the provision of benefits for or in respect of directors or employees (or former directors or employees) of the society or any subsidiary of the society where—

- (a) the benefits consist of or include any pension, lump sum, gratuity or other like benefit given or to be given on retirement or on death or in anticipation of retirement or, in connection with past service, after retirement or death, and
- (b) either—
  - (i) a majority of the trustees are appointed by, or by a person acting on behalf of the society or a subsidiary of the society, or
  - (ii) the society, or a subsidiary of the society, exercises a dominant influence over the appointment of the auditor (if any) of the scheme;

“remuneration” includes payments in respect of expenses and benefits in kind;

“subsidiary” means a subsidiary undertaking that is a body corporate.”.