

SCHEDULE 8

QUOTED COMPANIES: DIRECTORS' REMUNERATION REPORT

PART 3

INFORMATION SUBJECT TO AUDIT

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

7.—(1) The directors' remuneration report must 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 paragraphs (a) to (d) or paragraphs 8 to 12,
 - (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 paragraphs (a) to (e).

(2) The directors' remuneration report must 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 paragraphs (a) to (e) of sub-paragraph (1).

(3) The directors' remuneration report must 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) must be presented in tabular form.

Share options

8.—(1) The directors' remuneration report must 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 9.

(2) Sub-paragraph (1) is subject to paragraph 10 (aggregation of information to avoid excessively lengthy reports).

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(3) The information specified in sub-paragraphs (a) to (c) of paragraph 9 must be presented in tabular form in the report.

(4) In paragraph 9 “share option”, in relation to a person, means a share option granted in respect of qualifying services of the person.

9. The information required by sub-paragraph (1) of paragraph 8 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.

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

- (a) information disclosed for a person under paragraph 9(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 9(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 9(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 8 and 9) 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

11.—(1) The directors’ remuneration report must 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 12.

(2) Sub-paragraph (1) does not require the report to contain share option details that are contained in the report in compliance with paragraphs 8 to 10.

(3) The information specified in paragraph 12 must be presented in tabular form in the report.

(4) For the purposes of paragraph 12—

(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 must 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.

12.—(1) The information required by sub-paragraph (1) of paragraph 11 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 paragraphs (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

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- (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

13.—(1) The directors’ remuneration report must, for each person who has served as a director of the company at any time during the relevant financial 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 paragraph (b) was contained in the directors’ 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 paragraph (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 paragraph (c), from
 - (ii) the transfer value of those benefits that is required to be contained in the report by paragraph (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

14.—(1) Subject to sub-paragraph (3), the directors' remuneration report must 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 31st March 1997, whichever is the later.

(2) In subsection (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 must also be shown in the report.

Compensation for past directors

15. The directors' remuneration report must 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 7(1)(d).

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

16.—(1) The directors' remuneration report must 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—

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- (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 must 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 other undertaking as is mentioned in sub-paragraph (1)(b)(ii).