



GC100 and Investor Group

Directors' Remuneration
Reporting Guidance 2025





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In 2013, new UK regulations gave shareholders a binding vote on companies' remuneration policies and introduced a range of new disclosures. In response to the new reporting regime, the GC100 and Investor Group (**Group**) published directors' remuneration reporting guidance designed to assist companies and their investors in the interpretation of the regulations.

It is recognised that the binding vote, and the accompanying disclosures, have been successful in increasing the number of interactions and engagements between companies and their investors. Indeed, many investors have used the engagements on remuneration matters as an opportunity to raise wider governance and sustainability matters. Investors also use the disclosures as an insight into corporate culture.

The Group is mindful that the Guidance needs to remain relevant by adapting to evolving best practice and regulatory changes, while also providing clarity and direction on areas of confusion or contention. Since the first version of the Guidance was published in 2013, the Group has made several updates* to respond to regulatory changes and best practice, ensuring that the Guidance remains relevant and useful.

Since the last update, the Group reconvened and made further changes to bring the Guidance up to date and to reflect evolving best practice. Key changes include new guidance on the following:

- Engagement with shareholders and consideration of shareholders' views.
- Environmental, social and governance measures in variable pay.
- Consideration of general workforce pay.
- Potential windfall gains.

The updates also clarify the overlapping requirements of the UK Corporate Governance Code on significant votes against any resolution, employee consultations and workforce pay and conditions.

[The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025](#) came into force on 11 May 2025. These regulations remove some of the SRD II-derived requirements from the directors' policy and remuneration report regime, which the government said overlap with pre-existing requirements that still apply. The Guidance has also been updated to reflect the changes made by the regulations.

Key changes include:

For remuneration reports in respect of financial years starting on or after 11 May 2025:

- The reports need not include a table showing annual change in salary, benefits and bonus for directors and employees of the listed company.
- The "single total figure" pay table need not include fixed and variable pay totals columns.

With effect from 11 May 2025:

- The remuneration report need not be available online for 10 years.
- Shareholders may approve a payment which is not within the remuneration policy instead of having to approve an amendment to the policy to allow this.
- Where a deputy CEO is not on the board, the remuneration report regime no longer applies to them (the regime continues to apply to a non-board CEO). However, the pay of any non-board deputy CEO for the financial year beginning before 11 May 2025 still needs to be included in the remuneration report for that year.

Other minor changes apply to remuneration policies presented for shareholder approval on or after 11 May 2025.

It is only with the commitment of others that these guidelines are successful.

To this end, the Group is grateful to and would like to thank those who took the time to provide thoughtful consultation responses. The Group is also indebted to Mirit Ehrenstein, Counsel, Linklaters LLP, Camelia Thomas and Amanda Cantwell (GC100 and Investor Group secretariat), and their colleagues at Thomson Reuters (Practical Law), for their unfaltering professional support throughout. The Group also gratefully acknowledges the contribution of Linklaters in producing and publishing this updated Guidance.



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* The 2016 update reflected consultations following the end of the first three-year cycle of shareholder-approved remuneration policies. Two further updates followed legislative changes to the reporting regime: on discretion, share price appreciation and pay ratios reporting in 2018 and to implement the revised Shareholder Rights Directive (SRD II) pay provisions in 2019.

1.1 Structure of this guidance

The Guidance addresses the key elements of the government's directors' remuneration reporting requirements.

This Guidance relates to the disclosures required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/373) (as amended) (the **Regulations**), which came into force on 1 October 2013.

The Guidance suggests “best practice” in the view of both investors and companies. However, the Guidance is not intended to be exhaustive or definitive, nor should it be seen as precluding innovation in reporting on remuneration. On the contrary, companies should avoid boilerplate language and strive instead to provide meaningful and preferably concise disclosures relevant to the company and its particular circumstances. In their November 2023 Review of Corporate Governance Reporting, the Financial Reporting Council (FRC) comment on and give examples of what they regard as good disclosure: companies should set the context and background for non-compliance, give a convincing rationale for the approach taken, consider any risks and describe mitigating actions and set out when the company intends to comply. The FRC 2023 Review comment that examples are helpful reminders to companies that departures from the Corporate Governance Code offer flexibility, allowing them to tailor their governance practices to better suit their unique circumstances and strategic goals. This enables them to adopt a more proportionate approach to governance, focusing on what is most relevant and beneficial for their operations.

There has been generally an improvement in the quality of remuneration reporting since the Regulations were introduced, but the Group believes that companies should continue to focus on clarity and conciseness. Remuneration committees may find it helpful to consider:

- Any feedback from shareholders on the last remuneration report and policy, and whether this suggests matters that could be set out more clearly and concisely in the next.
- What might make it easier for investors and other stakeholders to assess and understand each part of a remuneration report (or policy).
- Whether the report clearly explains the thinking and purpose behind the committee's decisions and choices.

Timely, open and constructive engagement between companies and investors is important, in particular, where changes are proposed to remuneration arrangements.

The Regulations deal with remuneration disclosures in a technical way, but also point to the general importance of the relationship between directors' pay and company performance. While this Guidance deals specifically with the requirements of the Regulations, companies should keep in mind the broader context of narrative reporting and their overall strategy for the relevant financial years. This is discussed further in *2.2: Annual statement*.

1.2 How to use this guidance

It is essential that this Guidance is read alongside the Regulations. It is not intended to be a substitute for the Regulations, nor does it contain definitive legal advice.

The aim of this Guidance is to facilitate the statutory regime and help companies satisfy the reporting requirements prescribed. To ensure that investors can make informed voting decisions, in some instances, the Guidance recommends disclosures that go beyond the requirements in the Regulations. To be clear, the Guidance uses the following phrases:

- **“Must”**: This is a mandatory disclosure which companies must include to ensure compliance with the Regulations and the Companies Act 2006.
- **“Should”**: The Group has used “should” where, although not expressly required by the words of the Regulations, it believes the matter reflects the underlying intention of the Regulations and is established as good practice (taking account of the first ten years of the Regulations' operation).
- **“May wish to consider”**: Although going beyond the specific requirements of the Regulations, the Group feels that for many companies these disclosures will promote effective engagement between investors and companies.
- **“Investors generally expect”**: Although not guidance on specific requirements of the Regulations, this provides some context for companies.

The Guidance is structured as follows:

- The sections of the Guidance are in the same order as the Regulations.
- The text under the heading “Requirement” is a summary of the relevant paragraph of the Regulations and not the full text.

The Group wants to encourage innovation in reporting and not boilerplate disclosures. Companies need to determine remuneration policies that fit their individual requirements.



1.3 Flexibility, discretion and judgement

1.3.1 Background and introduction

The company's remuneration committee's approach to flexibility, discretion and judgement in respect of directors' pay is an important practical issue. Discretion is relevant to many aspects of policy and disclosure, but is not dealt with in any depth by distinct provisions in the Companies Act 2006 or the Regulations. Given their importance, the Group felt that discretion and related concepts should be addressed in this section, before setting out more specific Guidance on its use under the Regulations.

Companies and shareholders want directors to be remunerated in a way that reflects the directors' performance in delivering the company's strategy. This approach should be reflected in the application of the policy, particularly at the end of performance periods. The Group notes that "The Government recognises that discretion need not necessarily result in pay being adjusted down. Just as significant share price growth may not always be attributable primarily to executive directors' performance, so a significant fall in the company's share price may be in spite of a strong performance by directors which a remuneration committee may wish to recognise."¹ Accordingly, as this Guidance has stated since its inception, remuneration committees should be encouraged to apply discretion in either an upwards or a downwards direction. In addition, the legislation requires disclosure not just of the exercise of discretion but whether this was done as a result of share price movements. This puts more pressure on remuneration committees. A decision by a remuneration committee to apply upwards discretion will almost inevitably be the subject of considerable shareholder scrutiny. Companies may wish to consider prior dialogue with shareholders, in addition to providing a clear explanation for the committee's decision.

The Group recognises that the simple application of arithmetic performance targets may lead to anomalies such as a maximum bonus being paid when those targets have been met, whereas investors may consider that the overall performance of the company has been below par. Equally, where qualitative performance measures are used, and performance against those measures is assessed as being very good, but the company's overall financial performance over the relevant assessment period is not commensurate with that assessment. In these types of situations, investors generally expect the remuneration committee to give careful consideration to a moderation of formulaic outcomes (through the exercise of discretion) so that the remuneration outcome balances management performance and the shareholder experience.

Under the statutory regime, a remuneration committee will prepare a remuneration policy and seek authority from the shareholders in a general meeting for its implementation. In drafting the policy, the remuneration committee will need to give itself sufficient operational flexibility over pay, some of which may be provided by setting out discretions for the committee to use. The remuneration committee will then need to exercise discretion or judgement in various circumstances when implementing the approved policy. To this extent, the statutory regime has not altered the role of the committee but has set requirements that must be met before any discretion can be exercised.

The Group's view is that flexibility, discretion and judgement are crucial for the successful design and implementation of a remuneration policy. This is acknowledged by the Investment Association remuneration principles.²

Shareholders recognise that one of the tasks of the non-executive directors is the oversight of the performance of the executive directors and of the business as a whole. They, through the remuneration committee, are best placed to exercise flexibility, discretion or judgement and to ensure a fair outcome in remuneration.

1.3.2 Concepts of flexibility, discretion and judgement

The Group approaches the concepts of flexibility, judgement and discretion, and their relationship, in the following way:

- Flexibility needs to be provided for in drafting the remuneration policy, and this will require some discretion to be included. Flexibility is crucial in the implementation of a three-year approved policy, and its scope needs to be clearly set out within the policy. Once the framework of remuneration has been approved by the shareholders, each year the remuneration committee will need flexibility to determine pay, short term incentives and the terms of long-term incentives (such as share plan awards), as well as recruitment and exit packages.
- Discretion, in an upwards or downwards direction, may be needed to ensure that the outcome of implementation of the remuneration policy is fair to the director and fair to the investors, taking into account the overall performance and position of the company. Other kinds of discretion may also be required, such as the ability to set the level of each component of remuneration within a range from time to time over the life of the policy.
- Judgement also may be needed in respect of features such as the incentive targets used in the annual implementation of the policy (for example, where qualitative targets are used as part of a "personal" performance measure or a strategic performance measure).

1 The Companies (Miscellaneous Reporting) Regulations 2018 Q&A, page 25. The Q&A is available at: <https://www.gov.uk/government/publications/corporate-governance-new-reporting-regulations>.

2 The Investment Association Principles of Remuneration, dated October 2024 (link: <https://www.ivas.co.uk/media/dhbe43mr/principles-of-remuneration-2025-final.pdf>). The Group's view is also reinforced by the 2018 and 2024 Codes Principle R and provision 37.

1.3.3 Discretion or judgement?

There is an important distinction between discretion and judgement, and both have a role to play in pay decisions. In a number of areas, the remuneration committee is routinely asked to apply its judgement to what is appropriate within the bounds of the remuneration policy, or of a particular remuneration award or arrangement.

This will not necessarily represent the exercise of “discretion” in the meaning of the Regulations. For example, the assessment of the satisfaction of an annual bonus objective based on progress against an aspect of strategy will be a matter for judgement rather than discretion. Judgement of this kind, if no discretion is involved, need not be disclosed under the requirements relating to discretion. However, the remuneration committee may wish to consider disclosing the factors taken into account when they have exercised their judgement in determining the extent to which the relevant objective has been satisfied, to provide investors sufficient insight to be able to assess the link between pay and performance. The extent of the explanation that investors generally expect to see will vary depending on the complexity of the case.

It is crucial for committees to have the appropriate contractual powers to exercise and implement their discretionary powers. Companies should ensure that the matrix of documents relating to directors’ remuneration have the appropriate provisions for this.



1.3 Flexibility, discretion and judgement

Requirements (paragraphs 3(aa), 12(3) and 24(4) of the Regulations)

The Regulations include three express requirements about discretion, one applying to the remuneration committee chair's annual statement, one to the annual remuneration report and the other to the remuneration policy, and no express references to flexibility or judgement. The Companies Act 2006 and the Regulations also include provisions with implicit effects in respect of flexibility, judgement and discretion over pay.

The remuneration committee chair's annual statement must summarise, for the financial year, any discretion which has been exercised in the award of directors' remuneration.

Where any discretion has been exercised in respect of a short-term or long-term incentive companies must include after the single total figure table:

- details of how the discretion was exercised;
- how the resulting level of award was determined; and
- whether the discretion was exercised as a result of share price appreciation or depreciation (see *paragraph 12(3)(d) of the Regulations*).

Where the remuneration policy provides for the exercise of discretion over "any aspect of the policy", it must also clearly disclose the extent of that discretion in respect of any "such variation, change or amendment". Companies can decide the appropriate manner in which to set out the extent of discretion, as the Regulations do not require this to be done quantitatively (or in any other specified manner). However, companies must make the extent clear in each case, and will want it to be clear so that discretion can be used with confidence (see *paragraph 24(4) of the Regulations*).

The maximum for each component, which is required to be specified in the **future policy table** (see 4.3: *Future policy table*), will constrain the extent of any discretion applicable to that component. The way that each maximum is expressed may also suggest how to express the extent of a discretion over that component (see *paragraph 26(c) of the Regulations*). The remuneration policy must also explain how each component of remuneration "operates", and this will provide the context in which discretion must be described (see *paragraph 26(b) of the Regulations*).

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Remuneration committees may wish to consider the following two priorities:

- A policy should ensure that investors have sufficient information to be able to approve it, broadly knowing what to expect in terms of directors' remuneration while avoiding the risk of unexpected outcomes in future annual remuneration reports.
- The remuneration committee will also need flexibility to tailor the terms of remuneration arrangements for individual directors over the life of the policy, without the policy becoming a "shopping list" of possible components (which could be another way of providing for all reasonable eventualities with less reliance on discretion).³

The Group does **not** recommend including in the policy only a general statement that all of the components of remuneration are subject to appropriate adjustment at the complete discretion of the remuneration committee. Investors are likely to have concerns about the way such a broad discretion might be used, and so find it hard to approve the policy. Equally, companies may find such a broad discretion difficult to exercise with confidence if (as will often be the case) there is any doubt that investors will agree. However, given that a policy, expected to last for three years, is the authority under which the company can pay its directors, it may be reasonable for the policy to provide for some discretion to be used in genuinely unforeseen and exceptional circumstances.

Remuneration committees, in preparing their remuneration policies, will need to analyse each component of the remuneration package for directors, both executive and non-executive. They will need to consider the flexibility, judgement and discretion that will or may be required, including when hiring or parting company with directors.

Having specified as clearly as possible the operational discretions that remuneration committees reasonably anticipate they may need, it may be appropriate for the policy to provide for an "emergency" discretion for use only in other circumstances, which will be genuinely unforeseen and exceptional.

An example of circumstances requiring such a discretion might be an urgent need to provide a benefit of a type related to changed circumstances or strategy that has not been provided for in a recently approved policy, when it would be disproportionate to seek specific approval from a general meeting. Investors will find it easier to approve policies including such discretions if they are drafted so as to reduce the scope for misuse (for example, by including a specific higher maximum for long-term incentives to be used only in genuinely unforeseen and exceptional circumstances).

Therefore, the Group emphasises that this Guidance section on discretion should be read as a whole. Companies may well face unexpected developments over the term of a policy, but a broad discretion to address those will be more likely to be approved if it is drafted and explained to make investors confident that it will be used only if and as genuinely required, and within an acceptable maximum (either the general, or a higher exceptional, maximum).

Where an exercise of discretion is disclosed in the annual remuneration report, companies must report the circumstances leading to that exercise of discretion and why it was required and how the remuneration outcome changed as a result.

³ Note that provision 40 of the 2018 Code sets out the matters that the remuneration committee should address when determining executive pay and policies. This will still apply for reporting on financial years ending before 1 January 2025. But the 2024 Code does not have this provision which has been removed following consultation. Respondents to the consultation have said that the FRC have not made it clear what's expected, and the FRC were concerned that reporting on this has led to generic and brief wording, often just repeating what the provision says.

2.1 Introductory (part 1 of the Regulations)

Requirement (paragraphs 1-2 of the Regulations)

The directors' remuneration report (**remuneration report**)⁴ must contain an annual statement, an annual report on remuneration (**annual remuneration report**) and the directors' remuneration policy (**remuneration policy**). The remuneration policy may be omitted if the company does not intend to propose a resolution to approve the remuneration policy. Where a remuneration policy is omitted, the remuneration report must include details of when the remuneration policy was approved and where it can be found on the company's website (see *paragraph 1 of the Regulations*).

For the purposes of the Regulations, a chief executive officer (however described) or, where such a function exists, deputy chief executive officer (however described) is to be treated as a director regardless of whether or not they have been appointed as a director. This deeming treatment does not apply to the references to directors in paragraphs 2(2), 2(5), 3, 5(2), 6(1)(b), 10(3), 22(1), 23(c), 24(4), and 48 of the Regulations.

The remuneration report may include more information or detail than required if the directors think fit.

Required disclosures about performance measures or targets can be withheld if commercially sensitive, in the opinion of the directors. However, the omission and the reasons for it must be declared in the remuneration report, which must also indicate if and when the information will be disclosed in future (see *paragraph 2 of the Regulations*).

4 The directors' remuneration report must not include personal data of a director that falls within a special category of data listed in Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, or personal data which refers to the family situation of individual directors (paragraph 2(2A) of the Regulations). This prohibition is removed by [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025](#), for reports on financial years starting on or after 11 May 2025.

Guidance

Content and format

As the application of the remuneration policy will be reported upon in the annual remuneration report⁵, investors would generally find it useful for companies to include the remuneration policy in the remuneration report each year, or a direct link to the full policy (on the company's website), even in years when it is not put to the vote. A summary or extract of the remuneration policy may be sufficient to provide clarity surrounding the remuneration report. In any event, a full copy of the current remuneration policy should be made available on the company's website.

Although this Guidance follows the order of the Regulations, when drafting the remuneration report, companies may find it more appropriate to set out the remuneration policy first, followed by the annual remuneration report.

Coverage beyond formally appointed directors

A chief executive officer (however described) or, where such a function exists in the company, a deputy chief executive officer (however described) is to be treated as a director regardless of whether or not they have been appointed as a director. Where a company has not appointed a CEO or deputy CEO as a director, the intention of this provision is to ensure that the most appropriate person (carrying out CEO/deputy CEO functions) is captured by the reporting requirements.⁶ This person may be the most senior member of the company's executive committee.

5 Except in the first year after approval, if the new policy incorporates and applies the old policy until the end of the year of approval.

6 With effect from 11 May 2025, [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025](#) remove deputy CEOs' pay from the requirement to be within pay policy. But deputy CEOs' remuneration for the financial years beginning before 11 May 2025 still needs to be disclosed in remuneration reports for that year. See also the [2025 Guidance Note](#). The 2025 Guidance Note is available at [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025 – GOV.UK](#).

7 The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019: Frequently Asked Questions, page 9. The FAQs are available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/808993/corporate-governance-directors-remuneration-policy-remuneration-report.pdf.

The 2019 FAQs clarify that "The regulations implement this extended definition of director solely for the purposes of future reporting of directors' remuneration in the UK. The responsibilities of a company's directors under existing UK law relating to directors' remuneration remain unchanged and are not extended as to apply to any CEO or deputy CEO who does not sit on the board". In addition, the 2019 FAQs make it clear that this provision is of limited scope: "The regulations extend directors' remuneration reporting only to those persons not on the board of a UK registered quoted or traded company who occupy the roles of CEO or deputy CEO (however they are described within that company). Such persons do not have other director duties relating to the preparation of the remuneration report, or putting the relevant resolutions to shareholders at the accounts meeting. Other senior management functions (e.g. Chief Risk Officer, Chief Operating Officer or Chief Commercial Officers), or individuals not on the board who have 'director' in their title (e.g. Director of Communications or Strategy Director) are not covered by these regulations".⁷

Commercially sensitive performance measures or targets

Where the Regulations require the provision of information in respect of performance measures or targets, disclosure of that information is not mandatory where, in the opinion of the directors, it is commercially sensitive. Where information is not included on this basis, particulars of, and the reasons for, the omission must be given in the remuneration report and an indication given of when (if at all) the information is to be reported.

2.1 Introductory (part 1 of the Regulations)



Refer back to the Requirement section (paragraphs 1-2 of the Regulations)



Guidance – continued

Any decision to rely on the commercial sensitivity carve-out should not be taken lightly.

It should be taken only where there are company-specific circumstances that lead the directors to positively form the opinion that the performance measure or target in question is commercially sensitive. And, before forming that opinion, the directors should take account of the general investor expectations set out below.

- **Short-term incentives.** Investors understand that prospective disclosure of the targets related to certain short-term incentive measures would commonly give rise to commercial sensitivity issues (for example, where the performance measure is a component of the company's annual financial budget). In such circumstances, investors do not generally expect prospective disclosure of the targets in the statement of implementation of the remuneration policy in the current financial year (see *paragraph 21(2) of the Regulations*).

However, investors generally expect retrospective disclosure of those targets. The retrospective disclosure could be at the end of the **reported year**, in the short-term incentive information that appears after the **single total figure table** (see *paragraph 12(3)(a)-(c) of the Regulations*). Or, where the directors conclude that commercial sensitivity remains an issue, the retrospective disclosure could be made at a later time; in this situation, investors generally expect the remuneration report to contain a commitment to disclose at a specified time in the future.

As regards the information to be disclosed on targets – that is, what targets were set at the beginning of the period and what was the actual performance relative to them; (see *paragraph 12(3)(b)-(c) of the Regulations*), investors generally expect the full range (for example, threshold, target and maximum) to be disclosed retrospectively.

- **Long-term incentives.** Investors generally expect prospective and retrospective disclosure of the targets related to long-term incentive measures (prospective: see *paragraph 21(2) of the Regulations*; retrospective: see *paragraph 12(3)(a)-(c) of the Regulations*).

Where the nature of a long-term incentive's performance measure is such that commercial sensitivity exists (for example, it relates to a key strategic initiative that would be valuable information to major competitors if disclosed), investors generally expect the remuneration report to contain a commitment to disclose at a specified time in the future. In addition, in relation to awards that are yet to reach the end of their performance period, if targets have not been disclosed prospectively on commercial sensitivity grounds, investors generally expect the remuneration committee to consider including in the annual remuneration report qualitative commentary relating to intra-cycle performance (i.e. updates on performance to date) in order to provide an indication of projected vesting, subject to compliance with the market abuse rules where relevant.

While the Regulations do not provide a definition of “commercially sensitive”, to rely on the exemption from disclosure of a “commercially sensitive” measure or target, the directors must consider carefully what “commercially sensitive” means and whether the exemption applies.

Once a measure or target ceases to be “commercially sensitive”, investors expect it to be disclosed in the next annual remuneration report.

2.2 Annual statement (part 2 of the Regulations)

Requirement (paragraph 3 of the Regulations)

The remuneration report must contain a statement from the director who fulfils the role of chair of the remuneration committee summarising, for the reported year, four matters: the major decisions on directors' remuneration; any discretion exercised; any substantial changes made to directors' remuneration, and the context in which those changes occurred and decisions made.

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The remuneration committee chair's statement is an important opportunity to set the tone for the whole remuneration report. This annual statement may take the form of a short, succinct letter to shareholders (but this format is not obligatory). Where the chair's statement includes information which the legislation requires to be in the audited remuneration report, relevant cross references may assist in keeping the statement as succinct as possible. Each company will wish to focus on different aspects of their remuneration arrangements in this statement depending on their own circumstances in the reported year. The committee chair's statement must include the four matters summarised under the Requirement column.⁸ While addressing those four or other matters, companies may wish to consider including some or all of the following disclosures (of course, others may also be relevant):

- The rationale for the major decisions made by the remuneration committee during the year.
- The remuneration philosophy underpinning decisions and how company performance during the year is reflected in the remuneration outcome.
- The link between remuneration and the company's strategy, including how the overall remuneration package balances rewards for management performance and a share in the success (or failure) of the company (see further details in the last paragraph of this Guidance section).
- Where approval of the remuneration policy is sought, highlighting the key changes to the remuneration policy, including a summary explanation of why changes were required.
- Why the remuneration committee considered it appropriate to exercise discretion in a particular fashion and the impact on the payment of that exercise of discretion.⁹
- Comment on any stakeholder engagement conducted during the year (see 3.11 and 4.11).
- How remuneration outcomes for executive directors in the year are aligned with those for the workforce.

Linking remuneration to the company's strategy remains an important area for investors. This has been given greater emphasis by the requirements to publish an annual strategic report. Investors believe that many companies should give this area particular focus.

While this is required as part of the future policy table (see *paragraphs 25-26 of the Regulations*), investors generally expect that this should be supplemented by relevant disclosures in the annual remuneration report. Companies should take the opportunity to give this the appropriate emphasis and explanation in the remuneration committee chair's statement. Demonstrating the linkage to strategy will be crucial for companies as their remuneration structures evolve, discretions are exercised and remuneration policies come up for renewal.

The annual strategic report was introduced at the same time as the remuneration reporting reforms, and in it, a company is required to set out its strategy and objectives. The need to explain the link between remuneration and strategy in the remuneration report thus invites cross-referencing and alignment between these two reports (for example, how the company's key performance indicators and risks have been factored into the remuneration structure). In addition, remuneration committees may wish to consult the FRC guidance on the strategic report, and the FRC Financial Reporting Lab's insight report on clear and concise reporting¹⁰. Both encourage and guide companies to produce a "joined up" report.

⁸ Note that provision 41 of the 2018 Code sets out a non-exhaustive list of what should be included in the description of the work of the remuneration committee in the annual report. This requirement is retained in the 2024 Code.

⁹ See 1.3.2 'Concepts of flexibility, discretion and judgment'.

¹⁰ [FRC Guidance on the Strategic Report, June 2022.](#)

The Financial Reporting Lab's insight report: Towards Clear and Concise Reporting (August 2014), available at: <https://www.frc.org.uk/news-and-events/news/2014/08/financial-reporting-lab-issues-insight-report-on-clear-concise-reporting/>.

Certain key performance indicators disclosed in the strategic report may fall within the definition of alternative performance measure (APM) and be subject to ESMA's Guidelines on Alternative Performance Measures which apply to all APMs presented on or after 3 July 2016. See the FRC's Frequently Asked Questions on ESMA APM Guidelines (October 2015), available at: <https://www.frc.org.uk/news/may-2016/faqs-on-esma-apm-guidelines>.



The annual remuneration report must set out information, other than the remuneration policy, on directors' remuneration paid in the reported year. The annual remuneration report must include a single total figure for each director's remuneration in the reported year and in the year before, and for each component of that remuneration, including pension entitlements and variable pay awarded. It must also include a statement of how the remuneration policy will be implemented in the current year, including, where applicable, details of performance targets and measures not previously disclosed and how awards will be calculated.



3.1 Single total figure of remuneration

Requirement (paragraphs 4-12 of the Regulations)

The annual remuneration report must include a table showing the single total figure of remuneration for each director for the reported year and the financial year before that. The company may disclose the information for executive and non-executive directors in separate tables.

The table must include, for each of the two years, a total figure and show the breakdown of that figure by disclosing figures for distinct components including: base salary; taxable benefits; short-term incentives (including any deferred component); long-term incentives vested in the year; pension related benefits; any other items in the nature of remuneration and any sum recovered or withheld during the year in respect of amounts paid in earlier years. In addition to the total figure, the table must also include figures for total fixed remuneration (columns 'a', 'b' and 'e' – and any additional columns relevant to this calculation) and total variable remuneration (columns 'c' and 'd' – and any additional columns relevant to this calculation).¹¹ The table may also include such other information as the directors determine.

In relation to short-term and long-term incentives, there must be disclosed after the table details of the performance measures used, the performance targets set at the beginning of the performance period, details of actual performance achieved and the amount (or an estimate of the amount) of the award that is attributable to share price appreciation. Where any discretion has been exercised in respect of a short-term or long-term incentive that vested in the reported year, details must be given of how the discretion was exercised, how the level of award was determined and whether the discretion was exercised as a result of share price appreciation or depreciation.

11 [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025](#) remove the requirement for separate total fixed pay and total variable pay figures for reports on financial years starting on or after 11 May 2025.

Guidance

Separate tables for executive and non-executive directors' remuneration

Companies may set out separate tables for executive and non-executive directors with their own notes. This might be clearer for investors than combining the information into one table (see *paragraph 4(2) of the Regulations*). Where directors are not typical NEDs or executives e.g. employee directors, or directors who are employees but do not have executive functions, it would be useful to make this clear in the table.

Items “in the nature of remuneration” (see *paragraph 6(1)(a) of the Regulations*)

Companies need to determine if they have any unusual remuneration arrangements which do not fall within the five specified headings (salary, taxable benefits, short-term incentives, long-term incentives and pensions) and are not payments to former directors. If there are “other items in the nature of remuneration” they must be included in additional columns. It is difficult to give examples, but such items may include:

- Buy-out awards.
- Promises to pay, if not caught by the specific pension disclosure requirement.
- Tax-qualified SAYE options and share incentive plan awards.
- Any incentive awards not related to performance, such as a retention bonus.
- Benefits on which no tax is payable due to an available exemption, or for some other reason.
- Shares held pre-IPO which are converted to ordinary shares at the IPO (for example, vested share awards or shares converting from one class to another on IPO).

12 Subject to the proviso that they may be reported for the year before, if the performance measures are “substantially (but not fully) completed” in that earlier year.

Tax benefit

If a company pays the directors' tax liability on taxable benefits, this must be disclosed, with the total of the benefit plus tax in the “taxable benefits” column.

Similarly, tax met on any other component of remuneration will be a taxable benefit and must be included accordingly (see *paragraph 7(1)(b) of the Regulations*).

Short-term and long-term incentives where measures or targets are not fully completed

The primary requirement is to include an amount in the single total figure table relating to short-term and long-term incentives where performance measures have ended in the reported year. However, the Regulations also allow companies to include any short-term and long-term incentives for which the performance measures or targets are “substantially (but not fully) completed” in the reported year. In these circumstances, companies must:

- Clearly explain which short-term and long-term incentives have been included in the relevant single total figure.
- Set out the basis of the calculation.
- Report on a consistent basis in future years (see *paragraph 8(1) of the Regulations*).

Treatment of share options

Share options with performance measures over more than one financial year must be reported in the single figure for long-term incentives for the year in which they vest, whether or not they are exercised in that year¹².

3.1 Single total figure of remuneration



Refer back to the Requirement section (paragraphs 4-12 of the Regulations)



Guidance – continued

As a result, the loss of a vested but unexercised share option on termination must be reported as a **recovery** (see the next paragraph). It is not necessary to treat shares that can be acquired under a vested but unexercised share option as “deferred”, as details of a deferral of long-term incentives need not be disclosed (although companies may choose to do so). In any case, when the shares are acquired will be largely under the director’s control, unlike a deferred short-term incentive.

However, companies must provide details of directors’ scheme interests (including vested but unexercised options and options exercised in each reported year) in the annual remuneration report and may choose to provide that information in a more frequently updated form on their websites (see 3.6: *Statement of directors’ shareholding and share interests*).

Dividends and dividend-equivalent payments

Paragraph 10(1)(d)(iii) of the Regulations requires inclusion of any dividend or dividend-equivalent payment receivable in relation to a long-term incentive that is required to be included in the long-term incentive column.

Pension related benefits in the reported year

The total value of pension related benefits in the reported year must be disclosed in the single total figure table (including pension accrual, pension funding by the employer and payments in lieu of pension provision). The Regulations specify a special valuation method for all such benefits **except** payments in lieu, for which the simple cash value is reported (see *paragraphs 7 (1)(e), 10(1)(e) and 10(2) of the Regulations*).

This is an annual “input” figure. The Regulations also require the disclosure of total pension entitlements accrued while serving as a director, but only for certain types of pension arrangement (see 3.2: *Total pension entitlements*).

Recovery and withholding (clawback and malus)

Any recovery of sums paid in any previous financial year, or the withholding of any sum in the reported year, must be shown in a separate column as a negative value and deducted from the total.

An explanation for the recovery or withholding and the basis of the calculation must be given.

Recovery and withholding are not defined in the Regulations. A “recovery” will take place when any amount is repaid, or when there is a reduction of any vested but unpaid amount (such as a formally deferred short-term or long-term incentive, or a vested but unexercised option). A “withholding” will take place when any amount that would otherwise have been paid in the year is reduced.

Withholding will often implement an adjustment needed in respect of an amount previously paid, as it can be easier (from a legal and tax perspective) to do this than require repayment of already paid sums. Similar concepts are often referred to in practice as clawback and malus. Some care may be needed with terminology in this area.

Since “recovery” in the meaning of the Regulations applies to deferred amounts and vested but unexercised short-term incentives, as well as to amounts actually received, it can encompass both clawback and malus. The remuneration committee may wish to consider whether it is appropriate to confirm in the annual remuneration report that it has considered whether any recovery or withholding is appropriate, if none has been made in the reported year (see *paragraph 8(2) of the Regulations*).

3.1 Single total figure of remuneration



Refer back to the Requirement section (paragraphs 4-12 of the Regulations)



Guidance – continued

Negative value

In cases where a negative value arises, other than through recovery or withholding, this must be expressed as “0” in the table, rather than a negative value. (However, companies should note that “recovery” encompasses the forfeiture on leaving of any deferred shares and vested share options previously disclosed.) This could include circumstances such as share options that are underwater when they vest (see *Treatment of share options* above). The Regulations do not require either the disclosure of a later recovery in the share price bringing such options back into the money, or of any options falling underwater only after vesting (see *paragraph 8(3) of the Regulations*).

Estimated and actual amounts

Differences may well arise between estimated amounts included in the annual remuneration report and the actual amounts that are paid after the annual remuneration report has been finalised. Details of the calculation of the revised sum must be disclosed in the following year’s annual remuneration report. Companies may also wish to give an explanation for the difference.

Performance measures and targets

The required disclosures on performance measures and targets for short-term and long-term incentives must appear after the single total figure table. See 2.1: *Introductory*, which summarises what investors generally expect and also discusses commercial sensitivity.

Impact of share price appreciation

Companies must disclose the amount of a short-term or long-term incentive award that is attributable to share price appreciation. Where this is not ascertainable, an estimate must be disclosed (see *paragraph 12(3)(ca) of the Regulations*).

It would be uncommon for a short-term incentive award to be attributable, wholly or partly, to share price appreciation given that the performance measures tend to be either non-financial measures or financial measures not linked to share price. In addition, short-term incentive awards are commonly delivered partly in cash and partly in deferred shares that are not subject to any further performance measures. Deferred shares of this type are included in the short-term incentive column of the single total figure table for the reported year (see *Deferred short-term and long-term incentives* below). Any subsequent increase in the value of the deferred shares resulting from share price appreciation in the period through to the vesting date does not constitute remuneration for the purposes of the Regulations, and should not be reported under paragraph 12(3)(ca)).

Where deferred shares delivered as part of a short-term incentive award are subject to further performance measures, the deferred shares are an unvested long-term incentive for the purposes of the Regulations (see *Deferred short-term and long-term incentives* below). Any subsequent increase in the value of the deferred shares resulting from share price appreciation in the period through to the vesting date must be reported under paragraph 12(3)(ca).

In relation to a long-term incentive award delivered in **performance shares**, the amount of the award attributable to share price appreciation can be calculated as:

[Value of the award included in the single total figure table minus dividend equivalent] minus [(Face value of the award at the time of grant, as disclosed in a prior remuneration report under paragraph 14(1)(b)(iii)) multiplied by (the percentage of the award that vested)]

In relation to an award delivered in market-priced options, the amount of the award attributable to share price appreciation can be calculated as:

[Share price on date of vesting minus the option’s exercise price] multiplied by [Number of options that vested]

3.1 Single total figure of remuneration



Refer back to the Requirement section (paragraphs 4-12 of the Regulations)



Guidance – continued

If a long-term incentive award vested due to the satisfaction of an absolute share price target, it is arguable that all of the award value “is attributable to share price appreciation” and should accordingly be disclosed under paragraph 12(3)(ca).

If a long-term incentive award vested due to the satisfaction of an absolute total shareholder return (TSR) target, it is arguable that a portion of the award value “is attributable to share price appreciation” and should accordingly be disclosed under paragraph 12(3)(ca). However, the government has clarified that the intended focus of paragraph 12(3)(ca) is the difference (if any) between the vested value and the face value at the time of grant. Accordingly, if an award vests due to the satisfaction of an absolute share price or absolute TSR target, the company may wish to make a note, perhaps in a footnote, of the technical application of paragraph 12(3)(ca).¹³

Paragraph 12(3)(ca) contemplates that the amount of an award attributable to share price appreciation will sometimes not be ascertainable, in which case an estimate must be provided. One situation where an estimate would be required is where a company includes an amount in the single total figure table pursuant to paragraph 8(1) of the Regulations (where the performance measures or targets are substantially, but not fully, completed by the end of the reported year).

The Regulations do not refer to the scenario where a long-term incentive award vests and the share price has depreciated since the time of grant. In this situation, investors generally expect this circumstance to be acknowledged in the disclosure of long-term incentives that vested during the year.

Discretion

Where discretion has been exercised in respect of a short-term or long-term incentive, companies must disclose how the discretion was exercised, how the resulting level of award was determined and whether the discretion was exercised as a result of share price appreciation or depreciation (see *paragraph 12(3)(d) of the Regulations*, and the reference to the government’s view on upwards and downwards discretion in *1.3 Flexibility, discretion and judgement*).

Investors generally expect that where there has been a material fall in share price over the year (during the period between two consecutive actual and/or proposed grant dates), companies consider reducing the grant size of long-term incentive awards to prevent the potential of windfall gains at vesting (and thus executives benefitting from being granted significantly more shares as a result of the fall in share price). The reasons why remuneration committees have, or have not, deemed it appropriate to reduce grant sizes should be clearly disclosed. Similar considerations should be provided in respect of the decisions at vesting so shareholders can assess the appropriateness of these decisions.

¹³ The Companies (Miscellaneous Reporting) Regulations 2018 Q&A, page 25. The Q&A is available at: <https://www.gov.uk/government/publications/corporate-governance-new-reporting-regulations>.

3.1 Single total figure of remuneration



Refer back to the Requirement section (paragraphs 4-12 of the Regulations)



Guidance – continued

Deferred short-term and long-term incentives

If any element of a short-term incentive, such as annual bonus, is deferred, the company must describe the deferral as required by the Regulations, including details of any conditions attaching to the deferred amount other than performance measures (see *paragraph 12(4) of the Regulations*). However, there is no similar express requirement in respect of the deferral of any long-term incentive, although investors generally expect that any such deferral would be explained.

Where the deferred component of a short-term incentive is not subject to any further performance measures, the deferred amount must be included in the short-term incentive column of the single total figure table (see *paragraphs 7(1)(c)(ii) and 10(1)(c) of the Regulations*). In contrast, where a company operates a plan that it describes as a short-term incentive, and the deferred component is in fact subject to further performance measures, the deferred component is an unvested long-term incentive for the purposes of the Regulations and must be included in the long-term incentive column of the single total figure table in the year in which final vesting occurs.

Deferral often involves additional conditions that must be met (or not breached) before the deferred amount can be received (recovery conditions). Some recovery conditions could be considered to be “performance measures” that apply only to a deferred amount after the initial vesting period. Investors expect companies to make a sensible and consistent distinction between short-term and long-term incentives. In difficult cases, companies must consider carefully whether to treat a deferred amount as a deferred short-term incentive or an unvested long-term incentive and may wish to consider explaining their approach.¹⁴

¹⁴ The required details include whether deferral “is subject to any conditions other than performance measures” (see *paragraph 12(4) of the Regulations*). It is not explained why performance measures need not be disclosed, but it may be because a further performance measure would make the amount a long-term incentive. The Regulations treat as a short-term incentive one both awarded in, and vesting by reference to a performance period ending in, the reported year (see *paragraph 7(1)(c) of the Regulations*); and define “performance measure” as “the measure by which performance is assessed, but” not including “any condition relating to service” (see *paragraph 44(1) of the Regulations*). Recovery conditions related to performance might be considered performance measures, making the amount an unvested long-term incentive. Alternatively, if the amount is treated as a deferred short-term incentive, those conditions must be disclosed in the remuneration policy as provisions for recovery (see *paragraph 26(e) of the Regulations*).

3.2 Total pension entitlements

Requirement (paragraph 13 of the Regulations)

The remuneration report must contain for each director the accrued benefits related to service as a director (or in a connected executive role) under a defined benefits or cash balance benefits pension scheme (or a hybrid arrangement including either), if any, at the financial year end, assuming a normal retirement date, and the date the benefit becomes receivable, and the total value of any additional benefit in the event the director retires early. In addition, if the pension value reported in the single total figure table includes more than one type of pension benefit, the report must disclose the relative weighting of each type of benefit.

Guidance

The value of pensions is often substantial. Investors would find it helpful for them to be disclosed by companies in a comprehensive form and in a way that aids understanding of the figures. Companies may wish to consider explaining the key features of the directors' pension entitlement where the single figure does not capture the full entitlement.

Defined benefit scheme

For defined benefit schemes that are not final salary schemes the nature of the benefit must be outlined, along with the accrued amount.

Change to membership status

If there have been any changes to a director's membership status of any pension arrangement during the year, then this must also be disclosed (for example, the date the director joined the scheme, and the date she or he left it). Pension entitlements during the year of departure should be disclosed in full.

Rights

The notes must disclose a director's prospective pension entitlements under any defined benefits or cash balance benefits pension scheme (or a hybrid arrangement including either) at the end of the reported year, assuming the earliest possible voluntary retirement without consent or reduction of pension. Companies may wish to consider summarising these rights as the transfer value, which will be concise and make it easier for investors to compare different types of arrangement.

If trustee or company consent is required for any earlier retirement it would be helpful for this to also be disclosed. Investors generally expect any elements of discretionary benefits that are provided outside the company's intended practice or the pension scheme's normal practice to be indicated clearly.

Multiple pensions

If the pension value reported in the single total figure table includes more than one type of pension benefit, the breakdown or relative weighting of each type must be provided.

Where a director leaves part-way through the reported year

Pension rights for a departing director should be disclosed as at the end of the reported year. In terms of the disclosure for a retired director receiving pension, in place of the previous disclosure in relation to accrued amounts (i.e. expected future pension) the amount disclosed should be the actual annual amount which is now being drawn (together with any lump sum taken). The transfer value would continue to be calculated on the same basis as previously.



3.3 Scheme interests awarded during the financial year

Requirement (paragraph 14 of the Regulations)

The annual remuneration report must contain a table setting out details of scheme interests (as defined in paragraph 44(1) of the Regulations and meaning any long-term incentive or other long-term award) granted to directors (including any person who served as a director at any time in the year) during the reported year where the value will be determined according to the achievement of performance conditions in future periods or continued employment.

Guidance

The annual remuneration report must contain details of all long-term incentives and other long-term awards granted in the reported year to directors, and to any persons who were directors during the year. If awards were made under a number of different plans, information must be provided for each plan. Companies may wish to consider using separate tables for each type of award to make disclosure clearer.

Type of interest

For each scheme interest, a description of the type of interest awarded must be provided. Such description may, for example, specify performance shares, nil cost options, market value options or matching shares (see *paragraph 14(1)(b)(i) of the Regulations*). The definition of “share option” in the Regulations includes any performance share award that is a right to acquire shares, even though it is not an exercisable option as usually understood (see *paragraph 44(1) of the Regulations*). As a specific disclosure is required about share options under paragraph 14 of the Regulations (see *Exercise price and date* below), it may make disclosure clearer if this is borne in mind when describing performance share awards that are share options under the Regulations, even though options are not mentioned in paragraph 14(1)(b)(i).

Basis on which the award is made

It must be made clear how the award is determined, for example, a specified multiple of salary or a specified number of shares (see *paragraph 14(1)(b)(ii) of the Regulations*).

Face value

In respect of this requirement, the Regulations do not make a distinction between nil cost, market-priced and discounted share options and any other share-settled long-term incentive that is not a contractual option. They require the face value of the maximum number of shares that may vest to be disclosed for each award that “relates to shares or share options”. The Regulations also impose some requirements relating to the share value used to compute face value for these awards. Face value must also be disclosed for other types of award, but that requirement is not explained further in the Regulations.

When market-priced or discounted options are used, companies may also wish to consider disclosing a fair value for these options, as the face value may overstate the underlying value of the options. Any fair value statement will require a clear explanation of the methodology used. Companies must also disclose if the maximum award that can be achieved at vesting is larger than the face value of any maximum number of shares referred to in the award. This would include situations where a multiplier can be applied to the original award on vesting. Companies that pay dividends or dividend equivalent accrued on awards over the performance period may wish to consider explaining this in a note to the face value (see *paragraphs 14(1)(b)(iii) and 14(2) and (3) of the Regulations*).



3.3 Scheme interests awarded during the financial year



Refer back to the Requirement section (paragraph 14 of the Regulations)



Guidance – continued

Exercise price and date

If the exercise price of a share option is different from the share value used to compute the face value, this must be explained. Share options in the meaning of the Regulations will include some performance share awards (see *Type of interest* above), under which naturally no exercise price will be payable. Strictly, this must be explained, but that could be done by a note that the award is both a performance share award (for which no exercise price is expected), and a share option within the meaning of the Regulations (see *paragraphs 14(1)(b)(v) and 44(1) of the Regulations*).

The Regulations require companies to disclose for each scheme interest any change in the exercise price or date. Such changes may occur as a result of an alteration to the structure of the company's share capital (see *the 2019 FAQs*).¹⁵

Performance period

If an award will vest in relation to performance over multiple periods, the Regulations require disclosure of the end of the last period to end. (This provision is needed because, if there is only one performance period, the Regulations require its end to be disclosed. In practice, this time is often referred to as the “vesting date”.) Investors would find it useful for the vesting schedule of an award with multiple performance periods to be explained clearly if not covered in other sections of the remuneration report (see *paragraph 14(1)(b)(vi) of the Regulations*).

Performance measures and targets

This is only relevant if not covered elsewhere in the remuneration report. If not covered, for each scheme interest, there must be a summary of the performance measures and targets. Companies may wish to consider including in this summary the type of measure or group of measures, the relative weightings for each measure and specific targets attached to these measures (see *paragraph 14(1)(b)(vii) of the Regulations*).

ESG measures are increasingly being used in variable pay. Investors expect that companies should consider using ESG metrics where they relate to operational or strategic objectives that promote long-term value creation for stakeholders. ESG metrics should be quantifiable, and the method of performance measurement well explained, suitably stretching, objective and clearly linked to implementing company strategy. It would be best practice for the non-financial KPIs to refer to metrics that are already being publicly reported in the company's strategy, ESG roadmap and sustainability reporting.

Where companies are still considering how to reflect any ESG corporate strategy in variable pay, current market practice is for this to be fully explained (including how the approach will evolve in future years) and if relevant, to set out how the company's executive pay strategy is otherwise aligned with its sustainability strategy.

Investors expect that good performance against non-financial/strategic metrics would normally translate into financial performance of the company. Therefore, where bonus is payable for non-financial performance only, investors would like to understand the rationale for this, including details on how the achievement of the non-financial metrics were evidenced and how pay outcomes are justified.

¹⁵ The Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 remove the requirement to disclose changes in exercise price or date for reports on financial years beginning on or after 11 May 2025.

3.4 Payments to past directors

Requirement (paragraph 15 of the Regulations)

The annual remuneration report must contain details of any money or other assets paid during the reported year to former directors (who were not directors at the time of payment), excluding: payments for loss of office; payments shown in the single total figure table; payments previously disclosed; payments below a de minimis threshold set by the company and stated in the report; payments by way of regular pension benefits commenced in a previous year, and payments in respect of employment or other contractual service for the company other than as a director.

Guidance

The Regulations require disclosure of payments made to past directors. Disclosure under this regulation must include payments made to former directors where the amounts were not known at the time of leaving. The nature of these payments will vary depending on circumstances. Companies may wish to consider the following issues:

De minimis threshold

Remuneration committees may wish to consider what is an appropriate de minimis threshold (see *paragraph 15(d) of the Regulations*) and the threshold amount should be set out in the report, as it does not apply automatically. Investors do not expect immaterial amounts to be included in the annual remuneration report. If the threshold is changed from one year to the next, companies should explain this in the annual remuneration report.

Long-term incentives vesting to past directors

Whilst the “treatment” of outstanding incentive awards must be disclosed under paragraph 16 of the Regulations (Payments for loss of office) for the year of leaving, vesting may take place in subsequent years, typically once the performance conditions have been assessed, and this may need to be disclosed for the relevant year under paragraph 15 (Payments to past directors).

Payments previously disclosed

If payments for loss of office are phased over a number of years but full disclosure was provided in the first year under paragraph 16 of the Regulations, this information does not need to be disclosed in subsequent years. However, if the total amount was unknown at the point of leaving and only becomes known in subsequent years, then the actual amount must be disclosed in the relevant annual remuneration report as a payment to a past director.

Healthcare premiums

In most cases, healthcare premiums would not be considered to be significant and requiring disclosure, in the context of the overall remuneration package for a current director (and so within the de minimis exemption if paid to a former director). However, companies may have long-standing healthcare arrangements in place for former directors which may be of significant value, particularly for overseas former directors. In such circumstances, companies may wish to disclose that arrangements exist in the first annual remuneration report after the director leaves but not necessarily in subsequent reports (see *paragraph 15(c) of the Regulations*).

Payments in respect of employment, consultancy or other contractual service for the company except as a director

In instances where a director steps down from the board but is still employed, or otherwise contracted, companies may wish to explain this clearly. Companies may wish to consider disclosure when a past director is appointed to a paid role at the company’s pension fund trust, charitable foundation or other connected organisation. Where a former director acts as a consultant to the company, disclosure is not required by the Regulations. However, investors generally expect companies to consider carefully the adequacy of disclosure to comply with both the Regulations and best practice (see *paragraph 15(f) of the Regulations*).

Nil return

Where no payments to past directors have been made, companies may wish to consider making a “nil return” – a one sentence statement confirming this fact. Where applicable, the sentence could also refer to other matters such as no payments for loss of office.



3.5 Payments for loss of office

Requirement (paragraph 16 of the Regulations)

The annual remuneration report must show, excluding payments which are below a de minimis threshold set by the company and stated in the report:

- The total amount of any payment made or to be made for loss of office, broken down into each component comprised in that payment and with the value of each component.
- An explanation of how each component was calculated.
- Any other payments made or to be made in connection with termination, including the treatment of outstanding incentive awards vesting on or after termination.
- An explanation of how any discretion was exercised.

Guidance

Discretion

Provided that the remuneration committee has remained within the approved remuneration policy, the explanation of how discretion was used should not come as a surprise to investors. In addition to explaining how discretion was exercised, remuneration committees may wish to consider explaining why any use of discretion is in the best interests of the company.

Companies may also wish to consider including the following:

Termination policy

A confirmation that all payments have been or will be made within the parameters of the termination policy set out in the approved remuneration policy.

Reason for leaving

To avoid concerns about rewards for failure, especially where a discretion has been exercised in favour of a director, investors would find it helpful if companies give as complete an explanation as possible of the circumstances surrounding the departure of the director.

Bonus

If any short-term incentive has been paid, companies may wish to give a more detailed explanation, especially if it is paid entirely in cash.

Long-term incentives

Companies may have some difficulty in disclosing the amounts payable under long-term incentive arrangements which may vest over a number of years and therefore not be known definitively at the time of publishing the first annual remuneration report after the date of the director leaving. It must be stated if the award is pro-rated in any way. If vesting is subject to performance conditions being met, it would be misleading to state the total value of as yet unvested shares and companies may prefer to state a range of values.

When actual amounts are determined, investors generally expect these to be disclosed in the annual remuneration report for the relevant year as a payment to past directors.

Section 430(2B) of the Companies Act 2006 requires companies to disclose on their website the amounts (and method of calculation) of any remuneration payments that will (or may) vest after termination and any payments for loss of office. This refers to all elements of the termination package. In practice where the amounts are precise (e.g. payment in lieu of notice), the method of calculation will not be disclosed. This disclosure will take place before the annual remuneration report is compiled and so could provide a basis for preparing the disclosure in the annual remuneration report.

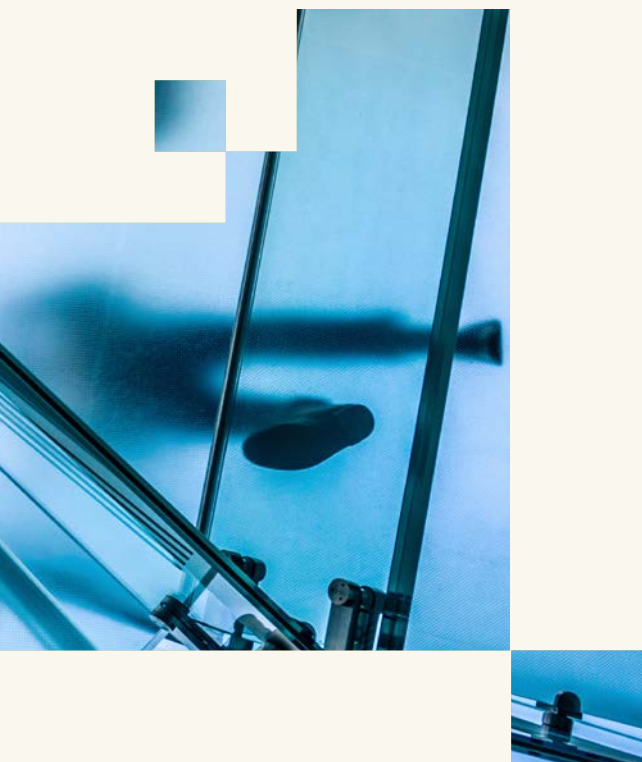
RIS announcements

When a company notifies an RIS that a director will be leaving the board (as required by the Listing Rules), it may not be practical, at that time, to release details of any termination arrangements. Further information on the loss of office and remuneration payments to be made to the departing director and an explanation of how these amounts have been calculated is usually included in the website disclosure (following section 430(2B) of the Companies Act 2006).

A better estimate or a finalised figure may be possible for some payments by the time the remuneration report is published. It would be helpful to explain in the annual remuneration report any difference between the disclosure in the website announcement following termination and disclosure in the annual remuneration report for each relevant payment.

Nil return

The comment made in relation to nil returns in 3.4: *Payments to past directors* is applicable here also.



3.6 Statement of directors' shareholding and share interests

Requirement (paragraph 17 of the Regulations)

The annual remuneration report must contain a statement of any requirements or guidelines for a person who was a director during the reported year to own shares in the company and state whether or not those requirements or guidelines have been met. It must also set out, in tabular form:

- The total number of interests in shares in the company of the director, including interests of connected persons.
- The total number, and details, of scheme interests, differentiating between shares and share options and those with or without performance measures.
- Details of share options which are vested but unexercised, and exercised in the relevant financial year.

Guidance

Director shareholding requirements or guidelines

The legislation does not in fact prescribe that directors hold shares in the company, or companies having guidelines. The legislative requirement is only for the information to be disclosed if a company has shareholding requirements and guidelines. However, the 2018 Code (provision 36) refers to promotion of long-term shareholding supporting alignment with shareholder interests and includes a requirement for post-employment shareholdings. Shareholders strongly support a requirement for director shareholdings.

If such shareholding requirements exist, companies must disclose details of them, but the Regulations do not specify the details that must be disclosed. Investors generally expect disclosure to include:

- How much the director is required to hold (this seems likely to be a minimum requirement of the Regulations and could be expressed as a percentage of salary, especially if that is the way the provision is expressed).
- Whether the provision is a requirement or guideline and the approach that the company would take if the requirement or guideline is not met in the specified time period.
- Any period over which the company expects the provisions to be met.
- Details of any requirements in relation to vested short-term or long-term awards (for example, a requirement that a specified percentage of them needs to be held until the provision is met). Note that investors generally expect this also to be disclosed in the “how that component [i.e. the short-term and/or long-term incentive component] of the remuneration package operates” part of the future policy table. See 4.3.4: *Short-term and long-term incentives*.

- Details of any requirements for directors to hold shares once they have left the company.
- Details of which shares can be included to meet the provision (for example, if it only includes shares the director holds outright, that is, those which are no longer subject to any restrictions or whether it includes any deferred or unvested shares or shares subject to vested but unexercised options).

(See *paragraph 17(a) of the Regulations*.)

Details of scheme interests

Companies must set out the “total number of scheme interests” (which means the number of shares that may vest under long-term incentives and other long-term schemes), and details of those scheme interests (which may exclude any details included elsewhere in the report). It seems unlikely that paragraph 17 of the Regulations also relates to other types of “scheme interest” (such as cash-settled long-term incentives) given that paragraph 17 is headed “statement of directors’ shareholding and share interests”. In setting out the details of scheme interests, companies must differentiate between “shares and share options”.

For departing directors, the information is to be set out as at the date of termination of employment, rather than year-end.

The definition of “share option” encompasses some share-settled long-term incentives that are not contractual options¹⁶, and that are more naturally thought of as shares rather than options, so some additional disclosure and explanation may be needed.

16 For the definition, see *paragraph 44(1) of the Regulations*.

3.6 Statement of directors' shareholding and share interests



Refer back to the Requirement section
(paragraph 17 of the Regulations)

Guidance – continued

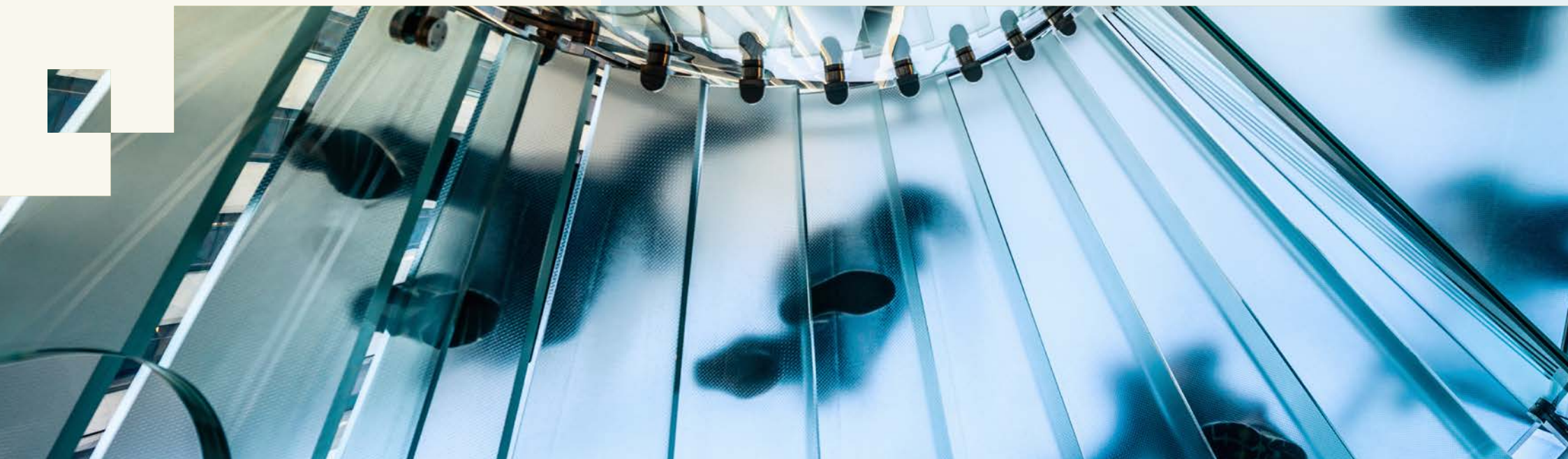
Deferred shares

Any shares receivable under deferred short-term incentives which have not yet vested must be captured in the table, as these are “interests in shares” (see *paragraph 17(b)(i) of the Regulations*).

Companies must also differentiate between scheme interests with and without performance measures and set out “details” of the scheme interests. Companies may wish to consider disclosing when the award was made, when the award will vest, the share price on grant and the exercise price, if relevant (see *paragraph 17(b)(ii)-(iii) of the Regulations*).

Hedging

Companies may wish to consider providing information on any policies in place to regulate directors' hedging of awards and use of shares as collateral.



3.7 Performance graph and table

Requirement (paragraph 18 of the Regulations)

The annual remuneration report must contain a line graph that shows the total shareholder return (TSR) over a five-year period (in the first remuneration report prepared under the legislation, rising in one-year increments to a ten-year period over the following five years) for both:

- A holding of the company's listed shares.
- A hypothetical comparator holding of shares representing a specified broad equity market index. The annual remuneration report must also explain the reasons for selecting that index.

The annual remuneration report must also contain a table setting out the total remuneration and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) in each year of the same period for the director holding the post of CEO.



Guidance

The aim of both the graph and the table is to help investors assess whether the pay policy adopted by the remuneration committee is properly relating executive pay to performance.

TSR graph

The Regulations require TSR to be calculated using a fair method (see *paragraph 18(6)-(10) of the Regulations*). In compiling the graph companies may wish to consider:

- Explaining the key elements of the TSR methodology adopted (for example, whether an averaging methodology is used, if so over what periods, whether TSR is calculated in constant or local currency and any other aspects that will assist the reader in understanding the graph).
- An explanation for any anomalies in the data of the graph.

For years where performance measures used a comparator group that performed worse than the chosen market index, companies may wish to consider explaining that, and whether the performance measure was expressly approved by shareholders (for example, in respect of a long-term incentive plan).

Table of historic data

This requirement was developed for consideration by the then Department for Business, Innovation & Skills (renamed the Department for Business, Energy & Industrial Strategy (BEIS) and now the Department for Business and Trade (DBT)), through the FRC's Financial Reporting Lab, (see the Lab's project report, Reporting of pay and performance, dated March 2013¹⁷).

Example table:

Year	CEO	CEO Single figure of total remuneration (£'000)	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2024	CEO 2			
2023	CEO 2			
2022	CEO 2			
2021	CEO 2			
2020	CEO 2			
2019	CEO 2			
2018	CEO 2			
2017*	CEO 2			
	CEO 1			
2016	CEO 1			
2015	CEO 1			

*CEO 1 retired at the AGM on 21 May 2017, and CEO 2 took over from that date, having been the COO.

17 The Financial Reporting Lab's project report, Reporting of Pay and Performance, available at: <https://www.frc.org.uk/getattachment/fe61b54b-a19f-4b08-8566-897f1f4587e7/FRC-Lab-Reporting-of-pay-and-performance.pdf>.

3.7 Performance graph and table



Refer back to the Requirement section (paragraph 18 of the Regulations)

Guidance – continued

Companies may find the following helpful in compiling the table:

- **CEO single total figure of remuneration.** It should be noted that the Financial Reporting Lab suggest that, where a new CEO has taken over, companies may wish to consider presenting the information in respect of each CEO on a separate line in the table.
- **Annual variable element award rates against maximum opportunity.** For most companies this will be annual bonus. Companies may wish to consider including the actual amount of the bonus as well as the percentage of the maximum paid.
- **Long-term incentive vesting rates against maximum opportunity.** Companies may also wish to include the value of the vested shares at the time of vesting as well as the percentage of the maximum received.
- For **newly quoted companies** preparing the first remuneration report post IPO, the legislation is unclear on how the table should be populated. Market practice (and common sense) suggest that the TSR graph and CEO pay information just cover the company's years as a quoted company and not be retrospective.

3.8 Percentage change in remuneration of all directors and all employees

Requirement (paragraph 19 of the Regulations)

The annual remuneration report must set out (in a manner that permits comparison) the percentage change between the reported year and the preceding year in certain components of the remuneration of each director (executive and non-executive), and that of all employees of the parent company on a full-time equivalent basis, excluding directors. The three required components are salary or fees, benefits and short-term incentives as set out in the single total figure table. The Regulations require that the annual percentage change figures must build incrementally with new annual percentage change figures each year being reported (starting on or after 10 June 2019) up to five sets of annual figures.¹⁸

Guidance

The annual remuneration report must set out the percentage change in the remuneration awarded to each director (executive and non-executive) between the preceding year and the reported year in relation to each of salary, benefits and bonus, as set out in the single total figure table.

Companies may wish to consider including an explanation of the reported figures. It should be noted that this requirement does not include long-term incentive awards and pension-related benefits from the single total figure table.

Details of the average percentage change in respect of the remuneration of employees of the parent company on a full-time equivalent basis must also be provided. In instances where the parent company only employs a small proportion of the workforce, a company may wish to consider voluntarily also disclosing the change in directors' remuneration compared to a wider employee comparator group, if this will provide a more representative comparison.

In order to make the comparisons meaningful, it is suggested that the average percentage change in respect of each of salary, benefits and short-term incentives for employees be a per capita figure.

¹⁸ [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025](#) remove this requirement for reports on financial years beginning on or after 11 May 2025. See also the [2025 Guidance Note](#). The 2025 Guidance Note is available at [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025 – GOV.UK](#).

3.9 Pay ratio information in relation to the total remuneration of the director undertaking the role of chief executive officer

Requirement (paragraphs 19A-G of the Regulations)

Companies within the scope of the Regulations must report in tabular form, within their annual remuneration report, the ratio of the Chief Executive Officer’s latest single total figure of remuneration versus UK full-time equivalent (FTE) employees’ remuneration (median, upper and lower quartile).

The qualifying condition for a company to be within scope of the Regulations is the group having an average number of UK employees in a year of more than 250 (there are thresholds tests ensure companies do not go into and out of scope arbitrarily).

The minimum required format for tabulating the information is:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
[Year in which financial year ends]	[Option A, B or C]	(X/Y25):1	(X/Y50):1	(X/Y75):1

X is CEO’s single figure table pay

Y25/Y50/Y75 are the respective quartile employee pay figures

The Regulations require that the pay ratios table should cover a ten-year reporting period; that is, the disclosure builds in the table incrementally with a new row for each year in order to achieve ten individual reporting years. This includes any year or years in which the company did not need to report ratios after previously having had to report (for any such years, the company should simply note in the relevant column that it was exempt from reporting pay ratios in that financial year).

The Regulations stipulate the explanations required of companies. Supporting information and explanations must appear after the table and include whether and how flexibilities have been used, a summary explanation of the components of the employee pay and benefits used to calculate each of the three pay ratios, the total employee pay and benefits figure used in each of the three ratios and the salary component for each. It must also explain why Option A, B or C was chosen, and why (if at all) a different Option was chosen versus previous years. The Regulations and The Companies (Miscellaneous Reporting) Regulations 2018 Q&A issued by BEIS (now DBT), explain the additional reporting requirements should Option B or C be chosen instead of Option A.

Guidance

The below guidance should be read in conjunction with The Companies (Miscellaneous Reporting) Regulations 2018 Q&A.¹⁹

Certain companies are exempt from reporting on pay ratios (i.e. where they do not meet the qualifying condition referred to in the Requirement column). An exempt company may wish to consider including an affirmative statement explaining why it is exempt.

In order to ensure consistency in reporting over the 10-year cycle where headcount varies from year-to-year above or below 250 UK FTE employees, companies may wish to consider continuing to report in line with the Regulations on a voluntary basis. This would aid consistency over multiple years, notwithstanding the variation of UK FTE employees. If a company adopts this voluntary approach, it may wish to consider confirming that its disclosures are voluntary. If a company was exempt from reporting its pay ratios in a particular year, and the company wishes to take advantage of the exemption, a statement detailing this is required to be included in the relevant row within the table.

Where there is a change in CEO during a relevant reporting period, the single total figure for the outgoing CEO plus the single total figure for the incoming or interim CEO must be used. For instances where a company does not have a CEO, investors generally expect the single total figure for the equivalent executive who has operational control of the company to be used. A change in CEO may have an impact on the disclosures; for example, one-off payments to a departing CEO could make one year’s pay ratio significantly higher than the year before and the year after despite no change to the “in role” pay of the CEO. The company’s supporting explanations to the table will be important in these circumstances.

Companies are free to decide where in the remuneration report this table and supporting statements should appear. Paragraph 19E of the Regulations requires the explanatory statements to appear “after the pay ratios table”. The Group believes the explanatory statements should appear directly underneath the table.

The methodology adopted should be explained clearly and applied consistently across multiple reporting periods. BEIS’s Q&A document refers to Option A as “the most statistically accurate way for a company to calculate” the pay ratios. Investors generally expect that Option A be adopted given it is considered the most robust, statistically, and market practice appears to favour the use of Option A.

Investors generally expect that the same relevant methodology used for calculating the single total figure for the CEO be used for calculating the pay and benefits of UK FTE employees. The Group discourages the use of estimates for employees’ non-salary components (such as bonuses); if this is unavoidable, a robust explanation is expected as to why the actual figure could not be calculated and also the methodology used in determining the estimated figure.

While paragraphs 19E, 19F and 19G of the Regulations are explicit, investors consider best practice reporting will be on how the Regulations have been applied to the individual circumstances of the company. Investors generally expect consistency of approach across multiple reporting periods for each element of the regulatory requirements.

Any changes in approach should be made clear within the report and justified with a supporting explanation as to the necessity for the change. For example, the chosen Option (A, B or C) used, differing pay components used, changes to the single total figure calculations etc.

¹⁹ The Companies (Miscellaneous Reporting) Regulations 2018 Frequently Asked Questions, available at: [Corporate governance: new reporting regulations – GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/684207/Corporate_governance_new_reporting_regulations_-_GOV.UK.pdf).

3.9 Pay ratio information in relation to the total remuneration of the director undertaking the role of chief executive officer



Refer back to the Requirement section (paragraphs 19A-G of the Regulations)

Guidance – continued

Investors will give close attention to the disclosure requirements under 19G of the Regulations, which will help inform best practice reporting. The required disclosures under paragraph 19G include why the pay ratios changed (if at all), what were the attributable factors for the change (if any), the trend in the median pay ratio and how this ratio is consistent with the pay, reward and progression policies for the company's employees. Investors generally expect a remuneration committee to provide an explanation as to why the median pay ratio is a fair reflection of the company's approach to pay, citing the CEO single figure in the context of the policies for all employees' pay. Where a remuneration committee considers that the ratio is not consistent with pay, reward and progression policies, investors generally expect the committee to describe the intended necessary actions that it will take in order to address this issue.

Companies may also wish to consider reporting pay ratios as they relate to their global FTE employees in order to provide context and further explanation.



3.10 Relative importance of spend on pay

Requirement (paragraph 20 of the Regulations)

The annual remuneration report must set out in a graphical or tabular form the total amount spent, in the reported year and the financial year before that and the difference in spend between those years, on each of:

- Remuneration paid to or receivable by all employees of the group.
- Distributions to shareholders by way of dividend or share buyback.
- Any other significant distributions and payments or other uses of profit or cash-flow that the directors deem helpful to understanding the relative importance of spend on pay.

Guidance

Remuneration figure

The figures used for remuneration must refer to all employees including the executive directors. Therefore, to assist with conformity and transparency, companies may wish to take the figures directly from the notes to the accounts relating to staff and employee costs as required by the Companies Act 2006 (see *paragraph 20(1)(a) of the Regulations*).

Dividend or share buyback

Companies may wish to consider showing distributions by way of dividend and share buyback separately (see *paragraph 20(1)(b) of the Regulations*).

Other significant distributions

Investors expect any additional comparisons of other “significant distributions and, payments or other uses of profit or cash flow” to be suitable and relevant. Appropriate additional comparisons may depend on the company’s size, its industry or its stage of life cycle. The reasons for choosing any additional comparisons and their method of calculation must be explained in notes to the disclosures. Possible examples include:

- Profits retained within the business.
- Investment for future growth such as capital expenditure or research and development costs.
- Debt repayments.
- Expenditure related to wider, societal distribution such as tax payments.

When choosing additional comparison items, companies may wish to consider:

- The relevance of the chosen categories of expenditure over the longer-term.
- Maintaining consistency over time in their reporting.

(See *paragraphs 20(1)(c) and 20(2) of the Regulations*.)

Investors will find it helpful if the format of disclosure, whether in graphical or tabular form, remains consistent over time. Where comparison items are changed, an explanation must be included in the annual remuneration report (see *paragraph 20(3) of the Regulations*).

Where it is felt that a longer-term perspective may assist investors, companies may wish to consider disclosure over a longer period than the two years specified in the Regulations.



3.11 Statement of implementation of remuneration policy in the current financial year

Requirement (paragraph 21 of the Regulations)

The annual remuneration report must contain a statement describing how the company intends to implement the approved remuneration policy in the current financial year. The statement must include, where applicable, the performance measures and relative weightings for each; and performance targets determined for the performance measures and how awards will be calculated.

Where this is not the first year of the approved remuneration policy, the statement should detail any significant changes in the way that the remuneration policy will be implemented in the current year compared to how it was implemented in the reported year. The statement should also detail any deviations from the procedure for the implementation of the remuneration policy set out in the policy.²⁰ This statement need not include information that is elsewhere in the remuneration report, including any disclosed in the remuneration policy.

²⁰ The Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 remove the requirement to disclose any deviations in the procedure for the implementation of the policy for reports on financial years beginning on or after 11 May 2025.

Guidance

This requirement, and the related disclosure, is an inevitable consequence of an approved remuneration policy with an expected life of three years. It is the only forward-looking part of the annual report on pay.

Companies must set out details of material changes to the remuneration structure (within the approved remuneration policy) and, where applicable, specific details of performance measures and targets for the current year (subject to commercial sensitivity: see 2.1: *Introductory*), which may not have been determined when the remuneration policy was originally approved.

General changes in remuneration for the current year

Companies must report and explain any significant changes to the way that the approved remuneration policy will be implemented in the current year compared to the reported year. The Regulations do not define or explain what is a "significant change". Companies may wish to consider including:

- Any change in basic salary.
- Any change in the maximum short-term and long-term incentive awards, even if the new maximum is in accordance with the award maximums set out in the future policy table.
- Any change in the target short-term and long-term incentive awards, even if the new target is in accordance with the target award levels set out in the future policy table.

²¹ The Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 remove this requirement for reports on financial years beginning on or after 11 May 2025.

- Any change to scheme interests to be awarded compared to the reported year (as set out in the statement on scheme interests awarded during the reported year, required by paragraph 14 of the Regulations).
- Any change in non-executive directors' fees.
- Any other changes in the way that the approved remuneration policy will be implemented even if it is in accordance with the approved future policy table.

If there are no changes to the implementation of the remuneration policy, then companies should state this.

Deviations from the procedure for implementation of the policy²¹

The statement should also detail any deviations from the procedure for the implementation of the remuneration policy set out in the policy. It has not been customary for UK companies to set out, within their remuneration policy, a procedure for the implementation of the policy. Where no such procedure is set out, it will not be possible to detail any deviations.

Companies should consider the guidance set out in section 4.11 (Statement of consideration of shareholder views) when disclosing the consultation which has taken place with shareholders about the implementation of policy in the current financial year, in particular any consultation where companies propose a different approach within the flexibility of their remuneration policy.

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

Requirement (paragraph 22 of the Regulations)

The annual remuneration report must specify the membership of any board committees that considered directors' remuneration during the reported year (which might be both the remuneration and nomination committees) and persons providing material advice or services to the committee. If external advice or services have been received, the annual remuneration report must state how the remuneration committee satisfied itself that the advice was objective and independent, and must set out details of any other services provided to the company and of the relevant person's appointment, selection and fees.

Guidance

Advice provided to the remuneration, nomination or other relevant committee

The annual remuneration report must name any person who provided material advice or services to a relevant committee in the reported year, and set out additional details in respect of some of them. These persons may include the following:

- Principal internal providers of material advice and services (for example, human resources and the company secretary).
- Executive directors who may attend meetings of the remuneration committee by invitation, when their own remuneration is not being discussed.
- Remuneration consultants and advisers.
- External lawyers (as opposed to directly employed in-house lawyers) who provided any material advice or services, other than legal advice on compliance with relevant legislation, are subject to the additional requirements relating to objectivity, independence, appointment, selection and fees. Such advice and services may include advice on remuneration or employment practice (rather than relevant legislation) or the drafting of remuneration plans or agreements.

(See paragraphs 22(1)(b)-(c), (2) and (3) of the Regulations.)

Objective and independent advice

Companies may wish to consider disclosing the factors which the remuneration committee took into account in determining that the advice received was appropriate, objective and independent.



3.13 Statement of voting at general meeting

Requirement (paragraph 23 of the Regulations)

The annual remuneration report must set out the following in respect of the last general meeting at which a relevant resolution was put by the company:

- In respect of the resolution to approve the remuneration report and the resolution to approve the remuneration policy, the percentages of votes cast for and against and the number of votes withheld.
- Where there was a significant percentage of votes against either resolution, where known to the directors, the reasons for those votes and any actions taken by the directors in response to investors' concerns²².

22 Note that provision 4 of the 2018 Code (and the 2024 Code) uses 20% of votes cast against the board recommendation as the threshold for when certain steps (including consulting and reporting back in the annual report) should be taken.

Guidance

Although paragraph 23 of the Regulations requires disclosure of voting outcomes only in relation to the resolutions to approve the annual remuneration report and the remuneration policy, investors would find it helpful for companies to adopt a common approach to the reporting of vote outcomes for all resolutions regarding remuneration at the previous general meeting. This includes resolutions to approve or amend share schemes and other long-term incentive plans or to approve payments outside the remuneration policy, which are not required or regulated by the Regulations, but by other provisions.

The remuneration policy does not need to be put to a vote every year, but paragraph 23 of the Regulations is worded in such a way as to require each annual remuneration report to continue to include the voting outcome for the most recently voted upon remuneration policy – even if that voting outcome appeared in the previous year's annual remuneration report.

There is an element of duplication here with the Companies Act 2006 (section 430(2C)), which states that the following information must be put on the company's website as soon as reasonably practicable after approval of a policy and kept on the website for as long as the policy applies:

- the date of the resolution;
- the total number of votes cast and the proportion of shares voted (based on the register as at a time not more than 48 hours before the meeting); and
- the number of votes for and against and the number of abstentions.

23 [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025](#) remove the section 430(2C) requirement with effect from 11 May 2025. See also the [2025 Guidance Note](#). The 2025 Guidance Note is available at [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025 – GOV.UK](#).

The Regulations only require the percentage of votes cast for and against to be disclosed, along with the number of withheld votes. However, under section 430(2C) of the Companies Act 2006 the number of votes cast for, against and abstaining from the resolution should be disclosed (see above).²³ To ensure the data is comparable, investors would find it helpful if this information is disclosed for remuneration reports, policies, and long-term incentive plans resolutions too.

Example following approval at an annual general meeting

At the Annual General Meeting held on [DATE], votes cast by proxy and the meeting in respect of the directors' remuneration were as follows:

Resolution text	Votes for	%	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approval of the remuneration report	XXX	XX%	XXX	XX%	XXX	XXX
Approval of the remuneration policy						
To adopt the long-term incentive scheme (where applicable)						

3.13 Statement of voting at general meeting



Refer back to the Requirement section (paragraph 23 of the Regulations)



Guidance – continued

Where there is a significant percentage of votes against either of the remuneration resolutions (at the last general meeting of the reported year), the company must disclose the reasons for this (if known) in the annual remuneration report presented in the current year and describe any actions taken to address investor concerns. Where the reasons for the vote against are not known an explanation of what steps the directors have taken to find out such reasons should be disclosed.

Where a company has experienced a significant vote against one of the remuneration resolutions in a previous year and where amendments made to address shareholder concerns have resulted in shareholder support for the same resolution at the next general meeting, a company may wish to report this in their remuneration report to highlight that the company's directors have identified and addressed shareholder concerns.

Companies will need to use their judgement, regarding the level of votes against, that they consider to be “significant”. Although each resolution will be passed if votes in favour exceed 50% of those cast, a significant number of votes against indicates investor dissatisfaction. It is in the company's interest to explain and address a low level of support, so as to avoid lower votes in favour in future years. As a guideline, companies may wish to consider votes against of 20% or more as being significant, although there may be reasons why, for some companies, a higher or lower level might be more appropriate²⁴.

Although “votes withheld” (abstentions) are not votes in law, many investors withhold their vote to indicate their lack of support for management. Companies may therefore wish to consider viewing votes withheld (or in combination with votes against) of 20% or more as also indicating a low level of support from investors that they would wish to address, although this again will depend on the company concerned.

Companies may wish to consider disclosing in the annual remuneration report the level of votes against that they deem to be “significant”.

Where the board considered the outcome to be a “significant” vote against, or otherwise showing a significant lack of support for the resolution that they plan to address, the company may also wish to consider including a statement to that effect in the RIS announcement relating to the results of the AGM.

The Regulations' requirements overlap to a certain extent with the requirements of provision 4 of the 2018 Code on “significant” votes against (which the Code sets at 20%+). There are a number of distinctions between this and the statutory requirements, and companies should ensure each requirement is met. Here are the Code's requirements:

- The Code applies to any resolution, not simply to those relating to pay.
- Immediately after the vote, the company should state what actions it intends to take to consult shareholders in order to understand the reasons behind the result.
- The company should issue an update by six months later.
- The next annual report (and if appropriate the explanatory notes to any resolutions) should include an update on the action taken.

Companies which receive 20%+ vote against any resolution also appear in the Investment Association's public register of shareholder dissent²⁵. This includes any subsequent updates (if sent to the Investment Association).

²⁴ Note that Provision 4 of the 2018 Code (and of the 2024 Code) uses 20% of votes cast against the board recommendation as the threshold for when certain steps (including consulting and reporting back in the annual report) should be taken. See the last few paragraphs of this section for details.

²⁵ [The Public Register/The Investment Association \(theia.org\)](https://www.theia.org).

4.1 Statutory regime

4.1.1 Restrictions on remuneration and loss of office payments

Requirement (section 226A-D of the Companies Act 2006 and section 82 of the Enterprise and Regulatory Reform Act 2013)

Under the statutory regime, a company may only make a remuneration payment or payment for loss of office to directors which is consistent with the most recently approved remuneration policy (sections 226B(1)(a), 226C(1)(a), Companies Act 2006). Where a company seeks to make a payment outside its remuneration policy prior shareholder approval is required to amend the policy²⁶ by ordinary resolution along with a memorandum setting out the particulars of the proposed payment (including the amount and the ways in which the payment would be inconsistent with policy but for the amendment). This must be made available for inspection for at least 15 days before and at the meeting (sections 226B(1)(b), 226C(1)(b) and 226D, Companies Act 2006).

These restrictions do not apply to a remuneration payment or payment for loss of office which is required to be made pursuant to an agreement entered into before 27 June 2012, unless it was modified or renewed on or after that date or as a consequence of any other obligation arising before that date (section 82(3)-(4), Enterprise and Regulatory Reform Act 2013).

These restrictions have applied to quoted companies since (broadly) their 2014 financial years. For newly quoted companies, they apply from the earlier of: (1) the end of the first financial year of the company to begin on or after the day on which it becomes a quoted company, and (2) the date from which the company's first remuneration policy takes effect (section 226D(6), Companies Act 2006 and section 82(2), Enterprise and Regulatory Reform Act 2013).

²⁶ With effect from 11 May 2025, [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025](#) amend this requirement so shareholders may approve a payment outside the policy without the policy itself being amended. See also the [2025 Guidance Note](#). The 2025 Guidance Note is available at [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025 – GOV.UK](#).

Guidance

Payments to be made pursuant to an agreement entered into before 27 June 2012 are specifically grandfathered, although it is unlikely that there remain many, or any, such arrangements.

Companies will want to ensure that the following promises can be honoured (i.e. effectively grandfathered):

Commitments made before new policy came into effect

Companies may need to be in a position to make firm commitments to executives which cannot be defeated by later changes in remuneration policy. Accordingly, companies may wish to make clear in a new policy that any commitments made which were consistent with the approved remuneration policy in force at the time can be honoured, even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled.

Commitments made before the restrictions were applicable

The same point applies to commitments made before an individual became a director or before the company became a quoted company. Investors are likely to find this acceptable in straightforward cases, especially regarding promises that were consistent with the approved policy when made. In less straightforward cases, companies may wish to consider providing additional information when presenting a policy with provisions of this kind, and perhaps consulting investors about it before presentation, particularly if any relevant commitments are for payments which investors find, or may find, unacceptable.

Interaction with future policy table

Although companies may wish to include precautionary grandfathering statements to deal with both of the circumstances described above, they must still disclose any arrangements under which remuneration may be paid in the future policy table (see [4.3: Future policy table](#)). Unvested or unexercised long-term incentives are probably the prior commitments that will most often require both protection by a general grandfathering provision and description in the future policy table.

4.1 Statutory regime

4.1.2 Structure and significance of the remuneration policy



Refer back to the Requirement section (226A-D of the Companies Act 2006 and section 82 of the Enterprise and Regulatory reform act 2013)

Guidance – continued

The Regulations require the remuneration report to include a remuneration policy containing details of the components of the remuneration packages of the company's directors. The remuneration policy is forward-looking and must be approved by investors by an ordinary resolution at least every three years, or sooner in the event of: (1) revisions to the remuneration policy, (2) a shareholder vote against approval of the annual remuneration report in certain years, or (3) a shareholder vote against the remuneration policy (see *Appendix 1: Timing of accounts or general meetings to approve remuneration policy*). It is important to note that the policy sets legally binding boundaries on what may legitimately be paid to directors.

The remuneration policy must set out the policy of the company with respect to the making of remuneration payments and payments for loss of office (section 422A, Companies Act 2006). "Remuneration payments" is defined as any form of payment or other benefit made to or otherwise conferred on a person as consideration for that person holding, agreeing to hold or having held office as a director (section 226A, Companies Act 2006).

The remuneration policy must include a table dealing with specified aspects of the company's future policy. Other details of remuneration policy must also be included in the remuneration policy although not in the future policy table. The Regulations do not specify a particular format for these additional disclosures.

When preparing the remuneration policy, companies may wish to consider:

- Embracing the overriding principle of transparency.
- Drafting a remuneration policy which is broad and flexible enough to allow companies to respond to changed circumstances without needing to amend the policy (see *1.3: Flexibility, discretion and judgement*).
- Providing sufficient detail (succinctly if possible) to enable investors to understand what will be paid in different circumstances and for what levels of performance and thereby enabling them to evaluate the remuneration policy and to assess whether actual payments are within the remuneration policy.



4.2 Introductory

Requirement (paragraph 24 of the Regulations)

The information required by Part 4 of the Regulations must be set out in a separate part of the remuneration report and constitutes the remuneration policy of the company.

The directors' remuneration policy must explain the decision-making process followed for its determination, review and implementation, including measures to avoid or manage conflicts of interest and, where applicable, the role of the remuneration committee or other committees concerned except that this explanation need not include information that is elsewhere in the directors' remuneration report²⁷.

Where some or all of the provisions of the last approved remuneration policy are to continue to apply, this fact must be stated in the remuneration policy together with details of the period it is intended they shall apply.

Where any provision of the remuneration policy provides for the exercise by the directors of discretion, the policy must set out the extent of that discretion.

Guidance

Timing

There was some flexibility as to when companies could choose when their first remuneration policy takes effect under the Companies Act 2006 and the Regulations. While this is now a historical matter for most companies, it remains an issue for newly quoted companies.

First year

By way of illustration, the remuneration policy for a newly quoted company may specify that it takes effect from:

Date	Example: company with a 31 December year-end
The general meeting (usually the AGM) or any specified later date within the current year	[x] April 2024
The start of the following financial year	1 January 2025

Investors are generally in favour of the remuneration policy starting immediately following approval at the general meeting (which will usually be the AGM). This will provide certainty for directors and will enable meaningful engagement between companies and their investors.

In deciding the date from which the first remuneration policy will take effect, the remuneration committee may wish to consider taking into account the following:

- The statutory restrictions on making a remuneration payment or payment for loss of office (see 4.1.1: *Restrictions on remuneration and loss of office payments*) will apply from the end of the first financial year beginning on or after the day on which the company becomes a quoted company or the date the approved remuneration policy "takes effect" if earlier, meaning the date when the company states (within the remuneration policy) that it shall take effect. However, a remuneration policy cannot take effect earlier than the date of approval. It must not be specified to take effect later than the end of the company's first financial year to begin on or after the day on which it becomes a quoted company.
- That performance periods for short-term and long-term incentive performance measures and targets do not have to align with the date the remuneration policy takes effect. Usually these periods will relate to whole financial years (although there is some diversity between companies), but the awards should vest or be paid only after the effective date of an approved remuneration policy with which they comply.

²⁷ The Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 remove this requirement with effect from 11 May 2025.

4.2 Introductory



Refer back to the Requirement section (paragraph 24 of the Regulations)



Guidance – continued

Subsequent years

A company's policy has to take effect from the date of its approval at the AGM (sections 226B and 226C, Companies Act 2006).

Date	Example: company with a 31 December year-end
The general meeting (usually the AGM)	[x] April 2027
The start of the following financial year (specify in the new policy that the last approved remuneration policy will apply until this date, see below)	1 January 2028

New policies may include an element of remuneration e.g. a higher salary or potential maxima for variable pay, commencing in the current year, subject to the policy being approved. This complies with the legislation (as the payment is only after the policy has been approved, even if it may relate in part to a period before the AGM and approval of the policy).

It is generally expected that companies will put forward their remuneration policy for approval every three years, unless the company needs to change the policy, or fails to obtain approval of the annual remuneration report²⁸ and therefore puts forward an amended policy for approval before the end of the three-year period. Investors would generally not find it helpful if companies put forward their policy for approval annually as a matter of standard practice. If a company wishes to put forward a new policy to shareholders mid-cycle, investors generally expect a coherent rationale as to the reasons for doing so.

In deciding the date from which future remuneration policies will take effect, the remuneration committee may wish to take into account the following considerations:

- As stated above, investors are generally in favour of the remuneration policy starting immediately following approval at the general meeting.
- Any actual payments made must be consistent with the approved remuneration policy at the time they are made. (However, it is open to companies to provide in their policies that awards granted under arrangements consistent with an earlier policy may vest or be paid. For more on this possibility, see *4.1.1: Restrictions on remuneration and loss of office payments*).
- If the new remuneration policy does not take effect immediately after the general meeting at which it is approved, the new remuneration policy must specify that the last approved remuneration policy will continue to apply and the period of time it is intended it will apply for. In effect, this makes the old remuneration policy temporarily part of the new approved remuneration policy for the purposes of restrictions on payments.

Conflicts of interest

Measures to avoid or manage conflicts of interest in the determination, review and implementation of the remuneration policy must be disclosed in the policy. Examples may include procedures surrounding executive attendance at remuneration committee meetings and ensuring external advice received by the committee is independent²⁹.

²⁸ In addition, if a company loses the policy vote, it must present a policy for approval at the next AGM, which also disrupts the three-year cycle.
²⁹ [The Companies \(Directors' Remuneration and Audit\) \(Amendment\) Regulations 2025](#) remove this requirement with effect from 11 May 2025.

4.3 Future policy table

Requirement (paragraphs 25-26 of the Regulations)

The remuneration policy must contain in tabular form a description of each of the components of the remuneration package for the directors of the company. Where the provisions apply generally to all directors, the table must also include any particular arrangements which are specific to any individual director.

In respect of each of the components described in the table, there must be set out:

- How that component supports the short and long-term strategic objectives of the company.
- An explanation of how that component of the remuneration package operates and information on any deferral periods.
- Where the company awards share-based remuneration, information on any vesting periods and any holding periods.
- The maximum that may be paid in respect of that component.
- A description of the framework used to assess performance (where applicable) including:
 - a description of the performance measures used and the weighting of them where several apply;
 - details of any performance period; and
 - amounts that may be paid in respect of the minimum level of performance and in respect of any further specified levels of performance.
- An explanation as to whether there are any provisions for the recovery of sums paid or the withholding of any payment.

Guidance

The Regulations do not set out a prescribed format for the table, other than expecting it to include at least the components required to be included in the single total figure table in the annual remuneration report. While paragraphs 25 and 26 of the Regulations are drafted simply in terms of directors, paragraph 28 of the Regulations allows separate versions of the future policy table for executive and non-executive directors (see 4.5: *Non-executive directors*).

For most companies the typical components of pay for executive directors will be salary, benefits, pension and short-term and long-term incentive awards. Each must be separately set out in the future policy table. These main components of pay will usually be the same for all executive directors. Companies with differing levels of benefits or short-term or long-term incentives for different executive directors will need, however, to ensure that the variations are properly described.

This table will form part of the remuneration policy. Companies may therefore wish to consider any exceptional items that they do not currently pay or provide but anticipate they might need to provide during the life of the remuneration policy.

The table must also specify the “maximum” that may be paid in respect of each component, including salary, which may be expressed in monetary terms or otherwise, for example, benchmarking salary increases.

There has been uncertainty at some companies as to whether the maximum has to be disclosed at an individual executive director level. Although the Regulations do not state expressly that the maximum should be disclosed at an individual level, they state that “the table must also include any particular arrangements which are specific to any director individually” (see *paragraph 25(2) of the Regulations*). Accordingly, the maximum level of each component of remuneration should be disclosed for each executive director.

Companies may wish to consider including a generic director policy should it be perceived that a new director role could be created during a policy period, while differentiating this from the requirements of paragraph 29 of the Regulations (see 4.6 *Approach to recruitment remuneration*).

It is accepted that it may be difficult for companies to set a maximum for the remuneration policy period. Companies will need to clearly explain the “expected” maximum (normal course) but may also wish to consider building in sufficient flexibility/headroom and also disclosing an “exceptional” maximum. Investors accept that companies may need this flexibility to cover the expected three-year life of a remuneration policy and to take account of changes in the company’s strategy or a director’s role and responsibility.

The table must set out how each component supports the company’s short-term and long-term strategic objectives. For discussion on the importance attributed to linking remuneration to a company’s strategy, see 2.2: *Annual statement*.

4.3 Future policy table



Refer back to the Requirement section (paragraphs 25-26 of the Regulations)



Guidance – continued

Companies may wish to consider the following points in respect of each component:

4.3.1 Salary

- There is a requirement to disclose the maximum that might be paid. The maximum must be explained in monetary terms or in any other way appropriate to the company (for example, a percentage of salary).
- Companies should describe the factors that the remuneration committee will consider when determining the level of salary to be paid on an annual basis, explaining how the basis on which pay is determined supports the company's strategic objectives.
- Companies with overseas directors may pay salaries in different currencies, which will need to be clearly explained. Whilst it might be considered helpful to convert to a common currency, companies and investors need to be aware that currency fluctuations may result in anomalies, which companies may wish to explain clearly. If different currencies are used, it may also be important to set out maxima in all relevant currencies and not only one currency.

4.3.2 Benefits

- Companies must give a broad description of the type of benefits that will be provided to directors and how these benefits support the company's strategy. This description needs to be broad enough to encompass all benefits that might be offered to directors during the course of the remuneration policy period, and this may well include benefits not currently being paid.
- Precise benefits will vary from company to company and even for directors in the same company depending on various factors such as their country of residence, local practices and length of service with the company.

- In determining the maximum amount of benefits, companies may wish to consider factors which may cause these amounts to fluctuate considerably such as:
 - The cost of certain benefits such as healthcare cover can vary dramatically from country to country and year to year due to a change in family status of the director, their age, medical inflation or a change in the service provider used by the employing company. Companies would be prudent to consider this when setting the maximum for healthcare costs, particularly if directors move between countries where different or more expensive healthcare benefits are the usual local practice for employees.
 - Relocation and expatriate or international assignment costs can be very high and may encompass a number of elements including: removal costs, tax equalisation arrangements, house purchase or rental, children's education and relocation of family. At the beginning of a remuneration policy period, companies may not necessarily know their plans regarding director relocation for the next three years, as that will depend on emerging business requirements.
- Companies may wish to separate benefits payable to a director on an ongoing basis and benefits that might become payable as a result of new business requirements such as relocation.

4.3 Future policy table



Refer back to the Requirement section (paragraphs 25-26 of the Regulations)



Guidance – continued

4.3.3 Pension

- Companies must give a clear explanation of pension-related benefits, including the approach taken to making payments in lieu of retirement benefits or defined benefit arrangements.
- Companies may wish to disclose anticipated changes to defined benefit pension arrangements where there is likely to be a material difference from the arrangements disclosed in the annual remuneration report. These might include, but are not limited to:
 - The discretionary augmentation of benefits over and above the normal entitlement, indicating whether or not such augmentation requires the consent of the scheme's trustees.
 - Changes in contribution rates in respect of a defined benefit arrangement beyond those set out in the periodic schedule of contributions certified by the scheme actuary.
 - The closure, or proposed closure, of a defined benefit arrangement to future accrual.

4.3.4 Short-term and long-term incentives

The Regulations do not make a distinction between short-term and long-term incentive arrangements in the provisions relating to policy (except to the extent that these require the same components to be addressed as in the single total figure table, as the provisions relating to the annual remuneration report do treat short- and long-term incentives separately). The split between short-term and long-term incentives (discussed further below) is a common approach adopted by companies, but some companies may have different components in their remuneration packages that do not necessarily fall into these categories. For a discussion of a similar issue arising for the annual remuneration report, see *Deferred short-term and long-term incentives in 3.1: Single total figure of remuneration*.

The Regulations make it clear that information in respect of performance measures or targets that, in the opinion of the directors, is commercially sensitive in respect of the company does not need to be disclosed (see *Commercially sensitive performance measures or targets in 2.1: Introductory*).

If a short-term or long-term incentive includes a requirement for shares to be retained after vesting (with an allowance for share disposals to fund any exercise price and/or tax arising), at least until a specified shareholding is built up and retained, investors generally expect that to be disclosed in the “how the component [i.e. the short-term and/or long-term incentive component] of the remuneration package operates” part of the future policy table. Investors also generally expect it to be appropriately cross-referenced or otherwise disclosed again in the shareholding requirements section of the report. See 3.6: *Statement of directors' shareholding and share interests*.

4.3 Future policy table



Refer back to the Requirement section (paragraphs 25-26 of the Regulations)



Guidance – continued

Short-term incentives

- Companies must describe how the short-term incentive supports the objectives of the company and explain how the plan operates. If the company operates more than one plan for directors, companies must separate out the different plans.
- The maximum amount of the short-term incentive that might be earned must be disclosed as well as the amounts that could be paid for reaching certain thresholds or targets. The maximum amount should include any deferred elements if these are part of the structure. The Regulations have been drafted to enable companies to use their own terminology for the minimum and maximum levels of performance. These amounts may be expressed as salary multiples or fixed monetary amounts or any other way that might be appropriate for the company.
- An explanation must be given of the performance measures which will apply. In the case of annual plans, the performance measures may change over the remuneration policy period to align with the annual strategy of the company. Therefore, companies may choose to describe performance measures in broad terms, for example, grouping performance measures into financial and business measures and personal goals or objectives, where appropriate, and include an indication of the weightings for each of these measures or groups of measures; these may be expressed as a range.
- Investors will wish to understand the performance measures used and will expect them to align with the overall corporate strategy. Where performance measures are disclosed in broad terms in the future policy table, full details for the current year must be given in the annual remuneration report (see 3.11: *Statement of implementation of remuneration policy in the current financial year*).
- There is no requirement to disclose performance targets in the future policy table. However, details must be disclosed in the annual remuneration report (see 3.11: *Statement of implementation of remuneration policy in the current financial year*).
- The performance period for the short-term incentive will generally be one year. Companies must, however, describe any arrangements for the deferral of all or part of the short-term incentive. The period of deferral, together with any further conditions (such as vesting schedule and/or holding periods for share-based elements), must be explained, as well as whether the deferred element is payable in cash or in shares and if any matching award may be made when deferral ends.
- An explanation must be given as to any provisions for recovery of sums paid, or withholding of any current year payment, in the short-term incentive plan, including how and when they will be applied.

4.3 Future policy table



Refer back to the Requirement section (paragraphs 25-26 of the Regulations)



Guidance – continued

Long-term incentives

- Companies must describe how any long-term incentive plan for directors supports the objectives of the company and explain how the plan operates. If the company operates more than one plan for directors, companies must separate out the different plans.
- Even though almost all new long-term incentive plans in which directors can participate, and any substantial amendment to an existing plan, must currently be separately approved by shareholders under the Listing Rules, that approval will not amend the remuneration policy. It is anticipated that a new remuneration policy will be proposed when a company proposes a new plan or amends an existing plan, if the new plan or amendment conflicts with the current approved policy. Companies must also check when they change the remuneration policy that any long-term incentive plan awards made under a previous remuneration policy, and under which payments are still intended to be made, can be paid out under the new remuneration policy.
- The maximum amount of long-term awards that might be earned for stretch performance must be disclosed as well as the amounts that could be paid for threshold or target performance. The Regulations have been drafted widely to enable companies to use their own terminology for the minimum and maximum levels of performance and these amounts may be expressed as salary multiples or fixed monetary amounts, fixed number of shares or in any other way that might be appropriate for the company.
- Most long-term awards will be in the form of shares, rights to shares or options and the nature of the award must be made clear. Where phantom shares or long-term cash plans exist, these must also be included in the long-term incentive awards section of the table.
- An explanation must be given of the performance measures and groups of performance measures that will apply, including an indication of the weightings of each performance measure or group of measures; these may be expressed as a range. More detail on the performance measures which will apply to awards made during the life of the remuneration policy must be provided. If a company wishes to significantly change these performance measures, it will need to seek approval of a revised remuneration policy. If a company has reserved discretion to make non-significant changes, it will be able to do so but may wish to consider consulting with investors.
- There is no requirement to disclose performance targets in the future policy table but if they are not, full details for the current year must be disclosed in the annual remuneration report (see 3.11: *Statement of implementation of remuneration policy in the current financial year*).
- Companies must disclose the vesting period, performance period and any additional holding period after vesting³⁰; differentiating between holding periods post vesting and post employment, referring where relevant to compliance with the company's shareholding requirements.
- An explanation must be given as to any provisions for the recovery of sums paid, or the withholding of any current year payment, in the long-term incentive plan, including how and when they will be applied.

30 The Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 remove the requirement to disclose information on any vesting, holding and deferral periods related to share based remuneration with effect from 11 May 2025. But the legislation still requires disclosure of information on each pay component and how it operates. The 2018 and 2024 Codes also require awards to be subject to vesting and holding periods of at least five years.

4.4 Notes to the future policy table

Requirement (paragraph 27 of the Regulations)

The future policy table must be accompanied by notes which set out in respect of each component:

- An explanation of why the performance measures were chosen and how performance targets are set.
- An explanation of why there are no performance measures relating to any component other than fixed elements.
- An explanation of the reasons for any new component or any changes to existing components relative to the previous policy.
- An explanation of the differences between the remuneration policy for directors and for employees generally.

Guidance

The Regulations recognise that it is not possible to include every detail in a table and therefore the additional information referred to in the Requirement column must be provided in the explanatory notes to the table.

Performance targets

The notes must explain how performance targets are set. Companies should note that they are not required to disclose specific performance targets in the future policy table, but just explain how they would be determined. If not in the policy, the performance targets for the current year must be disclosed in the annual remuneration report, unless non-disclosure is justified on the basis that the targets are commercially sensitive (see 3.11: *Statement of implementation of remuneration policy in the current financial year* and "Commercially sensitive performance targets" in 2.1: *Introductory*).

Changes

Companies must also explain any changes from the previously approved remuneration policy, particularly any new elements, for example, a new share plan or any changes to a remuneration component (such as, a change to the performance measures applying to a particular plan). Explanations as to the reasons for the change should also be given. Companies may also wish to consider referring in summary, with a cross reference to this section to the overall changes in the committee chair's introductory statement, see 2.2: *Annual statement*.

4.5 Non-executive directors

Requirement (paragraph 28 of the Regulations)

Information in respect of directors not performing an executive function may be set out in a separate table explaining the approach of the company to the determination of fees payable to such directors, any additional fees paid for other duties to the company and such other items as are to be considered in the nature of remuneration.

Guidance

Companies may wish to disclose non-executive directors' remuneration in a separate table as typically they will receive fees for their services and will not participate in the incentive arrangements applying to executive directors.

Companies with executive chair will need to include details of the executive chair's remuneration in the table for executive directors.

The table for non-executive directors will form part of the remuneration policy and therefore only remuneration included in the future policy table may be provided to non-executive directors. Companies need to ensure that the future policy table covers all elements which may form part of non-executive directors' package at some point.

The Regulations require companies to disclose "the approach of the company" towards the determination of the non-executive directors' fees. This may include fees as a non-executive director, additional fees for acting as senior independent director, chair or member of a committee, travel and attendance fees and, where relevant, consultancy fees. Legitimate business expenses are not remuneration and therefore are not required to be disclosed, but companies must ensure HMRC's rules are followed: some travel expenses in particular may be taxable even where regarded as business expense, so may be disclosable.

Companies may wish to consider disclosing whether part of the fees is paid in shares instead of cash, and if there is any requirement to retain the shares.

4.6 Approach to recruitment remuneration

Requirement (paragraph 29 of the Regulations)

The remuneration policy must contain a statement of the principles which the company would apply to agreeing a remuneration package for a new director. The statement must set out the various components which would be considered by the company for inclusion in that package and the approach of the company to each element and the maximum level of variable remuneration (excluding compensation for variable remuneration lost on leaving a former employer) which may be awarded, expressed in monetary terms or otherwise.



Guidance

These requirements apply to all board members, not just executive directors. They also apply to internal appointments to director, not just external hires.

Statement of principles

The Regulations refer to a statement of principles. Companies must set out the principles and the parameters which the remuneration committee will apply but be mindful that too much detail could raise expectations of potential directors and so weaken the company's ability to negotiate appropriate terms. Companies may wish to cross-refer to the future policy table, which describes each component of remuneration for the directors of the company and which will be applicable to new directors recruited within the life of the approved remuneration policy. Issues that companies may wish to consider when drafting this statement include:

- Companies are required to disclose the maximum level of variable pay that may be granted to a newly-appointed director (except for 'buy-out' awards, see below). This may be expressed in monetary terms or otherwise, for example, a multiple of salary. Companies may wish to consider a statement that new directors will participate in short-term and long-term incentive plans on the same basis as existing directors, which should suffice in most cases. Companies which operate different plans or multiples for different directors will need to take care that they explain this clearly in the remuneration policy.
- Companies may wish to consider committing in the remuneration policy to timely disclosure on the remuneration structure of any new executive director or chair. It is recommended that such disclosure be included in the relevant RIS notification.
- If relevant, companies must disclose the principles around relocation policies and any other benefits.
- If different maxima are to apply to new directors, the policy should disclose when the regular variable remuneration limits will apply to the new directors.

Sign-on payments

If companies wish to have the ability to make sign-on payments, they must ensure the remuneration policy covers such payments. If the remuneration policy is silent on sign-on payments, companies will not be able to make a sign-on payment to a future executive director without having first obtained shareholder approval for this sign-on payment, as an amendment to the policy. In practical terms, it will be difficult to convene a general meeting to approve such a payment while still in negotiations with a potential executive director regarding their remuneration.

When describing their sign-on policies, companies must disclose the type of awards (for example, cash or shares) that could be made, the potential use of performance criteria and holding periods, and any application of recovery or withholding policies. They may wish to consider disclosing:

- Whether their policy is to compensate an executive director for amounts lost at a previous employer or to pay a so-called "golden hello".
- A commitment to provide a full explanation at the time of recruitment of why a sign-on payment was required and a breakdown of that payment and an explanation of the approach taken to determine a fair level of compensation.

4.6 Approach to recruitment remuneration



Refer back to the Requirement section (paragraph 29 of the Regulations)

Guidance – continued

Compensation for the amounts forfeited for variable remuneration arrangements by an incoming executive

These amounts are not subject to the maximum set by the recruitment policy and will vary depending on the plans and arrangements in place at the previous employer. Investors generally expect the policy to make clear whether and how the maxima set out in the future policy table apply to such payments (see 4.3: *Future policy table*) (although it is recognised that 'buy-out' awards should be appropriate compensation for and not more generous than forfeited awards).

Internal promotion

If a company is considering the promotion of senior management to the board, in order to comply with the legislation, it should clarify in its remuneration policy that any commitments made before promotion can continue to be honoured under the policy even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled (see also 4.1.1: *Restrictions on remuneration and loss of office payments*). If not, it will be necessary for the new director to give up, or amend, the inconsistent element of their remuneration before being promoted.

4.7 Service contracts

Requirement (paragraphs 30-32 of the Regulations)

The remuneration policy must contain a description of any obligation on the company that is, or is proposed to be, contained in all (or one or more) directors' service contracts, and that could give rise to remuneration or loss of office payments not disclosed elsewhere in the remuneration policy. This requirement applies equally to letters of appointment.

The policy must also contain an indication of the duration of directors' service contracts or arrangements.

Guidance

Companies must disclose any obligation on the company which could give rise to a remuneration or loss of office payment, which is not disclosed elsewhere in the remuneration policy. Although the Regulations refer to such obligations being contained in service contracts and letters of appointment, this should be interpreted widely as referring to the whole contract between the director and the company as it stands at the time, and not just the provisions of a single, original document for example, the "contract" or "letter" includes any obligations set out in side letters, and any changes made by later notices, agreements or letters whether in writing or orally. It is assumed that any statutory entitlements e.g. to sick pay are embedded in any such documents and do not require specific disclosures.

For many companies, this requirement will be satisfied by disclosures made elsewhere in the remuneration policy. In such circumstances, companies may wish to consider confirming that there are no further obligations which could give rise to a remuneration or loss of office payment in the service contracts and/or letters of appointment.

There is also a requirement to include an indication of the duration of directors' service contracts or arrangements. Companies should state the term length of directors' contracts (should they be fixed term) or state if no fixed term exists – the latter being recognised as common employment practice in the UK³¹.

³¹ The Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 remove the express requirement to disclose service contracts' duration in new policies with effect from 11 May 2025. But the legislation still requires disclosure of the policy on setting notice periods. Since directors of UK-listed companies are subject to annual re-election and do not have fixed terms, the "duration" requirement added little value.

4.8 Illustrations of the application of the remuneration policy

Requirement (paragraphs 33-35 of the Regulations)

The remuneration policy must set out in the form of a bar chart and in respect of each director (other than non-executive directors) an indication of what could be received under the policy, in the first year in which the policy applies. The bar chart should include three bars showing the following:

- the minimum remuneration receivable (paragraph 34(1)(a) of the Regulations);
- the remuneration receivable if the director performs in line with the company's expectation (paragraph 34(1)(b) of the Regulations); and
- the maximum remuneration receivable (paragraph 34(1)(c) of the Regulations).

A narrative description of the basis of calculation and assumptions used to compile the bar chart must be set out to enable an understanding of the charts presented, but the narrative description does not need to include any matter which has been set out in the future policy table.

The directors' remuneration report must also set out, for long-term incentives, an indication of the maximum remuneration receivable assuming share price appreciation of 50% during the performance period.

Guidance

The Regulations do not mandate the measurement basis for the components of the bar chart, however the Financial Reporting Lab did extensive work on the preferred approach of investors and companies and this is reflected in the guidance below. See the Financial Reporting Lab's project report, Reporting of Pay and Performance dated March 2013³².

Each bar of the chart must contain separate parts which represent the following (to the extent that they are applicable in the scenario under consideration):

- Salary, fees, benefits, pension and any other "fixed" remuneration.
- Remuneration where performance measures or targets relate to one financial year (for example, annual bonus).
- Remuneration where performance measures or targets relate to more than one financial year (for example, long-term incentives).

Salary

This should be the last confirmed salary. This may be the same figure as the salary in the single total figure table, but if there has been a confirmed change to the salary the most current figure should be used. This would also include a new proposed salary if a policy is being amended accordingly.

Benefits

This should be the last known figure as set out in the single total figure table excluding any non-recurring items. However, if the new policy is changing any benefits, the figures should be adjusted accordingly.

Pension

The preferred approach depends on the type of pension entitlement:

- **Defined benefit.** The amount as set out in the single total figure table, taking into account any proposed changes in a new policy.
- **Other (for example, defined contribution or cash in lieu).** It would be consistent for the amount to be based on the policy set out in the future policy table and the last confirmed salary. This may be different to the pension amount in the single total figure table, for example, where there has recently been a salary increase or a change to the defined contribution percentage.

Short-term incentives

The amount should be based on the policy set out in the future policy table and the last confirmed salary. For example, if the future policy table refers to a target opportunity of 50% of salary and a maximum opportunity of 100% of salary, with half delivered in cash and half delivered in deferred shares, and the last confirmed salary is £500,000, the amounts to include in respect of this element in each bar would be:

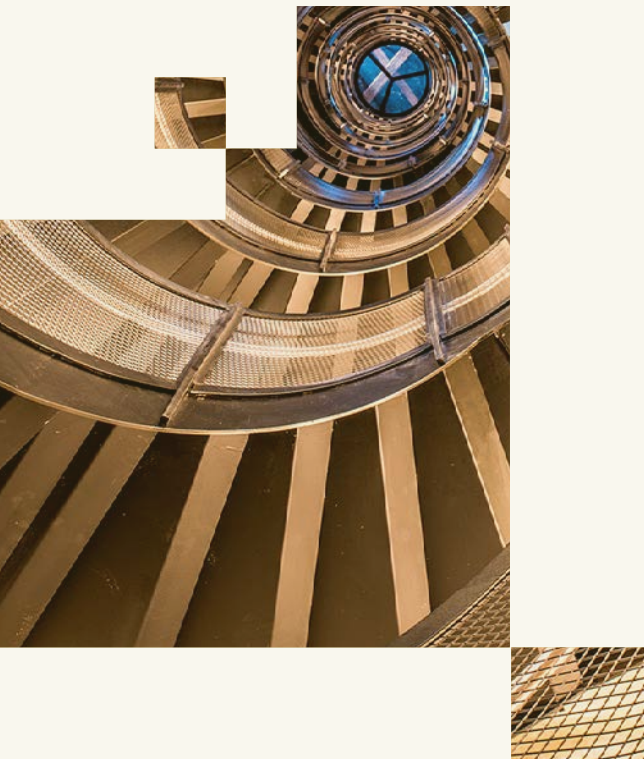
- Bar showing minimum receivable (paragraph 34(1)(a)): nil.
- Bar showing remuneration receivable for performing in line with the company's expectation (paragraph 34(1)(b)): £250,000.
- Bar showing maximum remuneration receivable (paragraph 34(1)(c)): £500,000. In substance the deferred share component is valued at face value but there is no need to value the shares because the calculation is based on a percentage of salary.

³² The Financial Reporting Lab's project report, Reporting of Pay and Performance, available at: [Financial Reporting Lab report on 'Reporting of pay and performance'](#).

4.8 Illustrations of the application of the remuneration policy



Refer back to the Requirement section (paragraphs 33-35 of the Regulations)



Guidance – continued

The bars showing remuneration for in line performance and maximum remuneration receivable must take account of all relevant plan features. For example, if the bonus plan provides for the award of additional “matching shares” if an executive voluntarily invests a portion of their cash bonus in deferred shares, the additional matching shares must be included in those two bars. In other words, those two bars should show what would be receivable assuming the executive makes all elections that can increase the size of the award³³.

Long-term incentives

The preferred approach depends on how the company makes long-term incentive awards:

- **Awards based on a percentage or multiple of salary.** It would be consistent for the amount included in the bar charts to be based on the policy set out in the future policy table and the last confirmed salary. For example, if the future policy table refers to an award of performance shares worth 100% of salary (face value), and the last confirmed salary is £500,000, the amounts to include in respect of this element in each bar would be:
 - Bar showing minimum receivable (paragraph 34(1)(a)): nil.
 - Bar showing remuneration receivable for performing in line with the company's expectation (paragraph 34(1)(b)): The value based on what the company judges to be the percentage level of vesting that correlates to “performing in line with the company's expectation”. This may, for example, align with the level of vesting at threshold performance.
 - Bar showing maximum remuneration receivable (paragraph 34(1)(c)): £500,000.

In substance the share award is valued at face value, but there is no need to value the shares because the calculation is based on a percentage of salary.

If the company's practice is to specify award sizes as a percentage of salary using “expected value” or “fair value”, it will be necessary to translate the award size into an equivalent face value. For example, if the company's policy is to make an award worth 100% of salary on an expected value basis, and the expected value of a performance share is 33% of face value, the bar showing maximum remuneration receivable would include a value of 300% of salary for the long-term incentive part of the bar.

The bar showing maximum remuneration receivable must take account of all relevant plan features. For example, if the plan provides for a “target award” worth 100% of salary and a “maximum vesting” of 200% of salary, the bar showing maximum remuneration receivable would include a value of 200% of salary for the long-term incentive part of the bar.

In some cases, a plan sets a maximum award size that is larger than the awards customarily made. For example, where the theoretical maximum under the plan rules is 300% of salary but actual awards for the past four years have been 200% of salary and the “statement of implementation of remuneration policy in the current financial year” stipulates that the award in the first year of the policy will be 200% of salary.

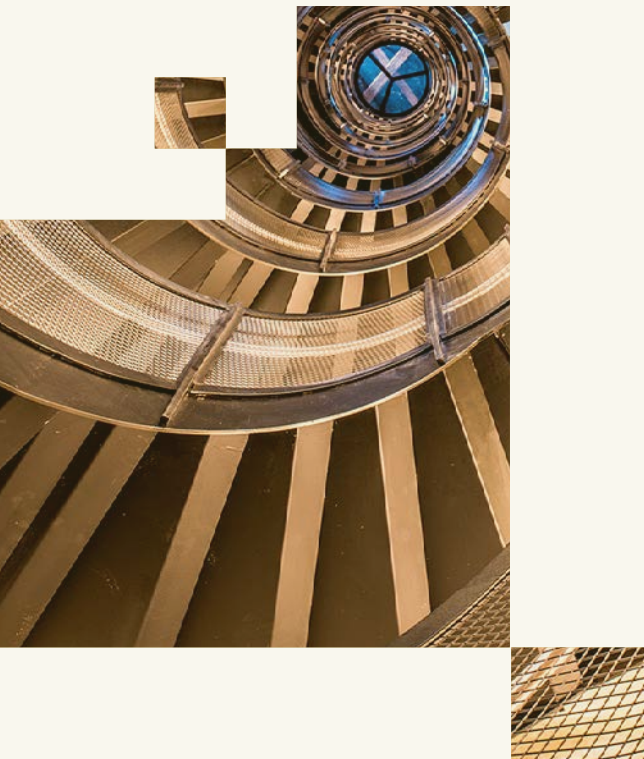
In this situation, given that paragraph 33 of the Regulations requires the bar chart to show remuneration receivable in accordance with the policy “in the first year to which the policy applies”, the bar showing maximum remuneration receivable must be based on 200% of salary. Companies may wish to consider including a narrative description which refers to the plan maximum where that is higher than the award size factored into the bar charts.

³³ If the matching shares are subject to performance measures they may need to be shown in the long-term incentive part of each bar, rather than the annual bonus part. See discussion in 3.1: *Single total figure of remuneration*.

4.8 Illustrations of the application of the remuneration policy



Refer back to the Requirement section (paragraphs 33-35 of the Regulations)



Guidance – continued

- **Awards based on a fixed number of shares.** The amount to include in the bar charts must be based on the face value of the shares, with no allowance for potential share price appreciation over the course of the vesting period (although this must be disclosed separately, see *Impact of share price appreciation* below).

The “maximum” bar must include the full face value, and the “in line” bar must include the value based on what the company judges to be the percentage level of vesting that correlates to “performing in line with the company’s expectation”. As indicated above, this may align with the level of vesting at threshold performance.

The share price to factor into the valuation could be either a spot price from a date close to the date for finalising the remuneration report, or an average share price.

If an average share price is used an explanation should be given of the period over which the average was taken and why that approach has been adopted. (The Regulations do not state this expressly but do require a “description of the basis of calculation and assumptions used... to enable an understanding of the charts”.)

- **Options (market exercise price options as opposed to nil-price options).** The preferred approach depends on how the company makes option awards.

The following examples cover two possible option award approaches that companies may use:

- If awards are made as options over shares which are worth a percentage or multiple of salary, it would be consistent for the amount included in the bar charts to be based on the policy set out in the future policy table, the last confirmed salary, and an appropriate option valuation method, with an explanation of the valuation method. The valuation method must not take account of performance hurdles, if any exist, as these will be

reflected in the minimum, in line and maximum bars. In other words, if the company’s policy is “A long-term incentive award will be granted in market priced options with a fair value equal to 200% of salary” and the option valuation method shows the fair value of a market-priced option as 30% of the share price, then the company would use (200% of salary) x 30% in the long-term incentive part of the “maximum” bar, and (200% of salary) x 30% x (appropriate percentage based on company’s view of what “performing in line with the company’s expectation” correlates to) in the “in line” bar (as the face value is the value of the shares under option, taking no account of the exercise price).

As regards an appropriate valuation method, the Financial Reporting Lab recommended use of a rule of thumb established by common practice, with “one-third of the market value of the shares under option” being the Lab’s “initial suggestion”. See the Financial Reporting Lab’s report, Reporting of Pay and Performance dated, March 2013³⁴.

- If awards are made as a fixed number of shares under option (though this is not common market practice), it would be consistent for the amount included in the bar charts to be based on (a) the number of shares under option; and (b) an appropriate option valuation method, with an explanation of the valuation method (see above). The valuation method must not take account of performance hurdles, if any exist, as these will be reflected in the minimum, in line and maximum bars. For example, if the company awards options over 200,000 shares, the spot share price on a date shortly before the date for finalising the remuneration report is £1.00, and the option valuation method shows the value of a market-priced option as 30% of the share price, the amount to include in the “maximum” bar would be £60,000.

34 The Financial Reporting Lab’s project report, Reporting of Pay and Performance, available at: [Financial Reporting Lab report on 'Reporting of pay and performance'](#).

4.8 Illustrations of the application of the remuneration policy



Refer back to the Requirement section (paragraphs 33-35 of the Regulations)



Guidance – continued

- **Awards based on a cash amount:** Cash plans where the amount of the cash payment is based on shares (such as SARs) can be illustrated in the same way as the corresponding share plan. The presentation of plans, for example, value creation plans, where the reward is based on a cash amount will depend on the exact terms of the plan. The figures might be based on the accounting cost of the award or on a Black Scholes or similar pricing model.

Any dividend accrual, “dividend shares”, dividend equivalent payments or similar provided for in the long-term incentive plan or the short-term incentive plan, or both, should be disregarded for the purposes of the bar charts, for clarity, but their existence and exclusion must then be explained in the description of the calculation and assumptions used.

Impact of share price appreciation

Companies must disclose, in respect of each executive director, for long-term incentives and other awards with performance measured over more than one year, an indication of the maximum remuneration receivable assuming share price appreciation of 50% during the performance period. Companies must also provide a short description of the basis of the calculation of the share price appreciation (see *paragraph 35A of the Regulations*).

Paragraph 35A of the Regulations does not require that the information related to share price appreciation be included in the bar chart. It simply says that the share price appreciation information must be included in the directors' remuneration report. Market practice has been to disclose the share price appreciation information as part of the bar chart itself. It is also possible to disclose this separately, but in the same section of the remuneration report that the bar chart appears, given that paragraph 35A is located in the same section of the Regulations as the bar chart provisions.

Using the example above (see *Awards based on a percentage or multiple of salary*) where the bar chart shows maximum long-term incentive remuneration receivable of £500,000, the maximum remuneration receivable assuming share price appreciation of 50% during the performance period would be an additional £250,000.

A short description of the basis of the calculation of the share price appreciation must be included. This could be as simple as “The basis of the calculation of the share price appreciation is that the share price embedded in the calculation for the ‘maximum’ bar chart is assumed to increase by 50% across the performance period.”

4.9 Policy on payment for loss of office

Requirement (paragraphs 36-37 of the Regulations)

The remuneration policy must summarise and explain the company's policy on:

- The setting of notice periods under directors' contracts.
- Termination payments for directors.

The remuneration policy must set out the principles on which a termination payment will be determined including:

- How each element of any termination payment will be calculated.
- Any contractual provisions agreed before 27 June 2012 that could impact on a termination payment (payments under agreements made before that date, and not subsequently amended, are not subject to the requirement to be consistent with approved remuneration policy) (it's unlikely any of these arrangements are still current).
- Whether and how the circumstances under which a director leaves and the director's performance will be taken into account in determining any payment.

Guidance

Companies need to take care when drafting disclosure on future potential exit payments that they retain sufficient flexibility to cover all types of leaver situation as they will be unable to make any termination payment outside the approved remuneration policy.

Investors generally expect companies to provide sufficient information for investors to understand how the various elements of the remuneration package would be treated in different termination situations and the parameters that the remuneration committee will consider. Companies may wish to consider carefully whether the remuneration committee has the power to exercise discretion in this area and, if so, how they will describe this. The remuneration committee can only exercise discretion if it is permitted to do so in the remuneration policy (and they have the appropriate contractual powers in any relevant documents).

Companies must disclose their policies on setting notice periods and their approaches to determining loss of office payments. Companies may wish to consider disclosing:

- That the contractual entitlements of terminated directors will be honoured.
- The length of service contract and notice periods applicable from the company and the director.
- Details of any limitations, parameters, or guarantees applied to severance payments (for example, contractual).

- How the remuneration committee classifies leavers. It would be advisable to make clear that the good and bad leaver scenarios are examples and not a definitive list of scenarios. This will mean that the remuneration policy has the flexibility to cover future termination situations which are similar to, but not exactly the same as, one of the scenarios.
- How the remuneration committee assesses salary, short-term incentives, long-term incentives, pension and other benefits for each category of leaver and any reductions that may apply to these remuneration components in "normal" circumstances.
- Policies applied in "exceptional" circumstances including change of control.
- Whether there is a policy of requiring mitigation, and a summary of how that policy would work in practice.

4.10 Statement of consideration of employment conditions elsewhere in the company

Requirement (paragraphs 38-39 of the Regulations)

The remuneration policy must include a statement of how pay and employment conditions of employees generally were taken into account when setting the remuneration policy. It must also set out whether and, if so, how the company has consulted with employees when drawing up the remuneration policy. The statement must set out whether any comparison metrics were taken into account and, if so what they were and how they were taken into account.

Guidance

Employee consultation

If the company has consulted with its employees, it must disclose what steps have been taken to seek employee views. If it has not, this must be stated. The Regulations suggest that a specific statement is required, rather than general statements about employee views being taken into account.

The 2018 Code (Provision 5) expressly refers to stakeholder engagement and to the board keeping mechanisms for doing so under review to ensure they remain effective. For workforce engagement, the 2018 Code sets out three potential methods of engagement, though companies may choose others and explain why the board considers they are effective. If the Code disclosure (see also Provision 6) is elsewhere in the annual report, companies may wish to consider appropriate cross referencing to avoid duplication. The 2024 Code has the same Provisions.

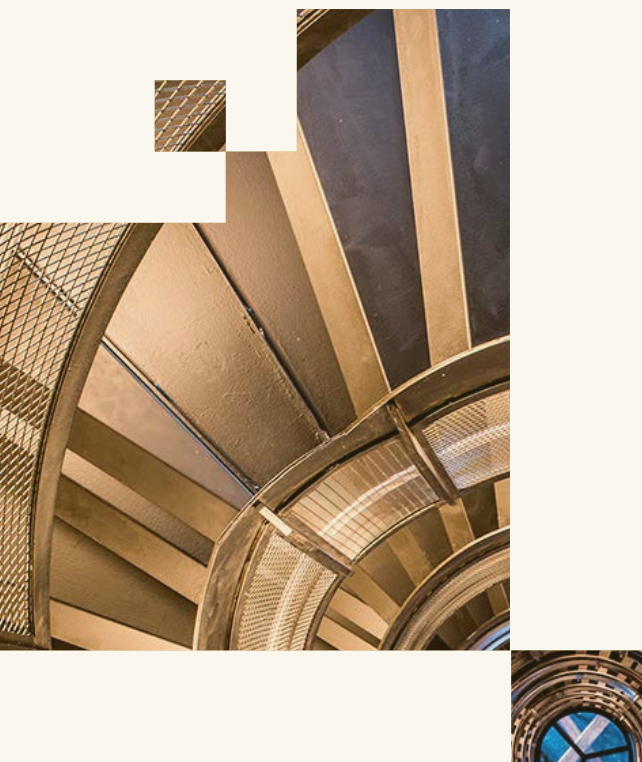
Pay and employment conditions of employees

Companies should state how wider employee pay and conditions were taken into account, including whether or not any remuneration comparison measurements were used. The metrics will differ across companies and the disclosure must set out what metrics were taken into account and how they were used in determining the quantum and structure of directors' remuneration.

Provision 33 in the 2018 Code requires remuneration committees to review workforce pay and related policies and the alignment of incentives and rewards with culture and take these into account when setting the policy for executive director remuneration. Provision 41 requires disclosure of the workforce engagement which has taken place to explain how executive remuneration aligns with wider company pay policy. If the disclosure against these Code provisions is elsewhere in the remuneration report, companies may wish to consider appropriate cross referencing to avoid duplication.

As a result of the CEO: UK-employee pay ratio disclosure requirements, reports include information on quartile employee pay (see 3.9 *Pay ratio information*). Companies are expected to outline why the remuneration levels and maximum opportunities are appropriate for the specific circumstances of the company and its material stakeholders, including the workforce. For example, they could include more granular information or additional disclosures on pay distribution throughout the workforce. Where relevant, it may also be helpful for companies to include information such as reporting on staff with pay awards of over a certain amount, higher pay bands for the company's employees, pay levels across the workforce and the number of employees in a range of different pay bands.

Where this sort of information appears elsewhere in the annual report, cross references to the specific sections would be acceptable.



4.11 Statement of consideration of shareholder views

Requirement (paragraph 40 of the Regulations)

The company must state whether and, if so, how any views expressed by investors in respect of remuneration either at a general meeting or otherwise have been taken into account in the formulation of the remuneration policy.

Guidance

The level of disclosure in this area will vary from company to company and will depend on the extent of engagement that has taken place.

Companies may wish to consider including a summary of:

- The actions taken by the company and investors to engage with each other, if at all.
- The broad topics discussed in the engagement process and an indication of investors' reactions.
- Any changes to the remuneration policy, or its implementation, made as a result of the engagement.

Provision 41 of the 2018 (and 2024) Codes requires disclosure of the engagement which has taken place with shareholders and the impact this has had on remuneration policy and outcomes.

There should be a description of the proportion of a company's shareholder register which was consulted and how any feedback was taken into account in the remuneration committee's process and its impact on any policy and pay decisions. Disclosure should include the consultation with shareholders on issues such as substantial changes in performance measures/targets, or in quantum. Companies should also disclose the timetable of any consultation, and how they have dealt with a substantial vote against any remuneration resolution in a previous meeting.



1. Timing of accounts or general meetings to approve remuneration policy

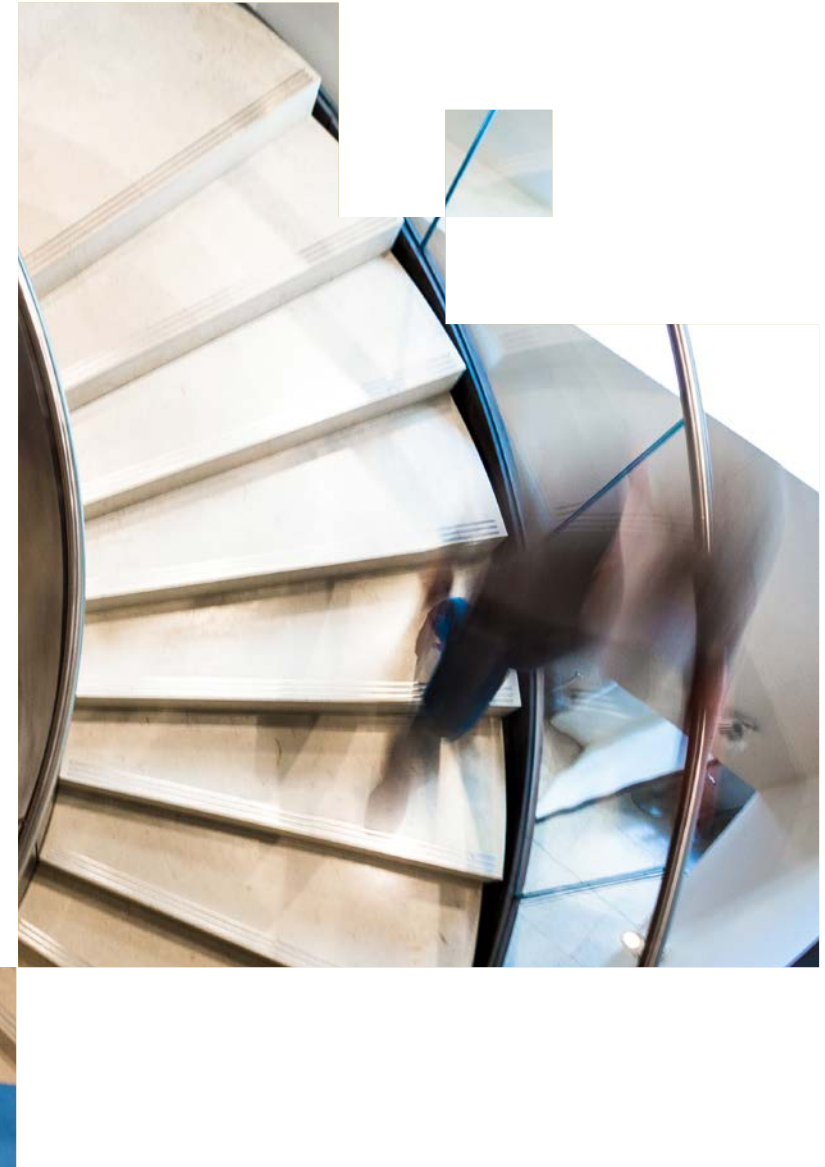
The table below illustrates when companies must obtain approval of their remuneration policy (at its general meeting in the first financial year beginning after its becoming a quoted company).

Year-end	Date the company becomes a quoted company	Approximate date of first AGM to propose resolution to approve remuneration policy ³⁵	Long-stop date for first remuneration policy to be approved, i.e. the date that restrictions on remuneration and loss of office payments commence ³⁶	Approximate date of second AGM or meeting to propose resolution to approve remuneration policy ³⁷
30 September 2023	August 2023	January 2024	1 October 2024	AGM: Jan 2027; or GM: held by 30 September 2027
30 September 2023	November 2023	January 2025	1 October 2025	AGM: Jan 2028; or GM: held by 30 September 2028
31 December 2023	November 2023	April 2024	1 January 2025	AGM: April 2027; or GM: held by 31 December 2027
31 December 2023	February 2024	April 2025	1 January 2026	AGM: April 2028; or GM: held by 31 December 2028
31 March 2024	February 2024	June 2024	1 April 2025	AGM: June 2027; or GM: held by 31 March 2028
31 March 2024	May 2024	June 2025	1 April 2026	AGM: June 2028; or GM: held by 31 March 2029
30 June 2024	May 2024	September 2024	1 July 2025	AGM: September 2027; or GM: held by 30 June 2028
30 June 2024	August 2024	September 2025	1 July 2026	AGM: September 2028; or GM: held by 30 June 2029

³⁵ Assumes approval sought at AGM.

³⁶ Assumes company has not chosen for the restrictions to apply earlier.

³⁷ Assumes annual remuneration report has been approved at previous AGM and no changes have been made to the remuneration policy since approved at the AGM shown in the third column.



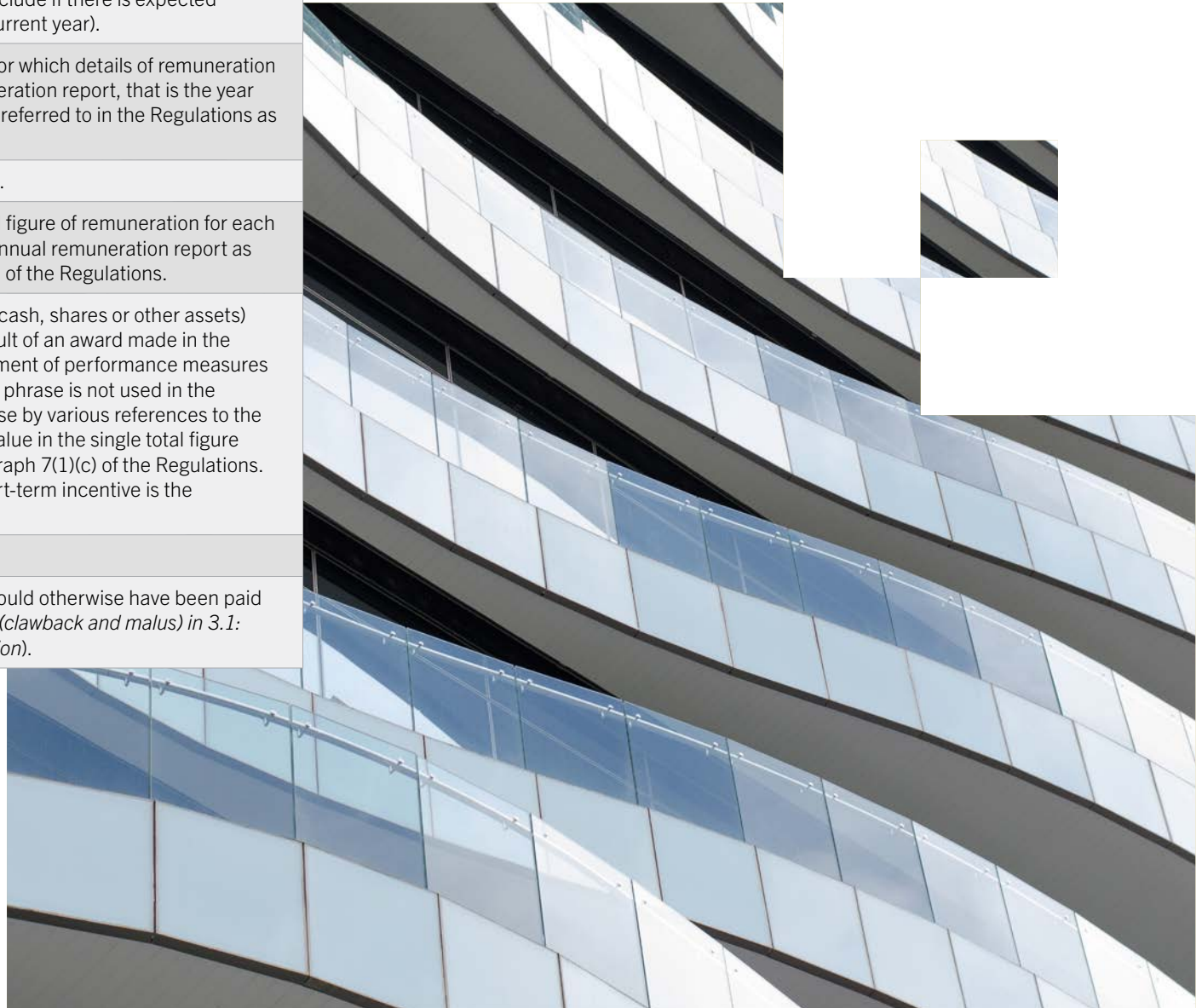
2. Glossary

2018 Code	The revised UK Corporate Governance Code published in 2018 and applicable to financial years starting on or after 1 January 2019.
2019 FAQs	The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 – Frequently Asked Questions, issued by the Department for Business, Energy & Industrial Strategy.
2024 Code	The revised UK Corporate Governance Code published in January 2024 and applicable to financial years starting on or after 1 January 2025.
2025 Guidance Note	The Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 Guidance note covering changes to directors' remuneration reporting for UK quoted companies issued by the Department for Business & Trade, April 2025.
Annual remuneration report	The annual report on remuneration, as required by section 420 of the Companies Act 2006 and Part 3 of the Regulations, which must contain the information prescribed by Part 3 of the Regulations.
Current year	The company's financial year during which a remuneration report is published. This is referred to in the Regulations as "the financial year following the relevant financial year", and as "the following financial year".
ESG	Environmental, social and governance.
Future policy table	A table describing each of the components of the remuneration package for the directors, which must be included in the remuneration policy under paragraphs 25 and 26 of the Regulations.

Long-term incentive	<p>Any amount (to be provided in cash, shares or other assets) received or receivable as a result of an award made before the reported year and the achievement of performance measures or targets over a period that ends within that year.</p> <p>This phrase is not used in the Regulations, which refer to these by various references to the requirement to disclose their value in the single total figure table, which is set out in paragraph 7(1)(d) of the Regulations. Common types of long-term incentive include long-term incentive share awards and share options. Long-term incentive awards are one type of "scheme interest" as defined in paragraph 44(1) of the Regulations.</p>
Performance shares	An award of shares that is conditional on the satisfaction of performance requirements, and for which no exercise price is payable.
Recovery	Recovery of amounts previously vested or paid (which some might refer to as clawback or malus) (see <i>Recovery and withholding (clawback and malus) in 3.1: Single total figure of remuneration</i>).
Regulations	Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (<i>SI 2008/373</i>), as amended by the Large and Medium-sized Companies and Groups (Accounts and Reports) Amendment Regulations 2013 (<i>SI 2013/1981</i>), the Companies (Miscellaneous Reporting) Regulations 2018 (<i>SI 2018/860</i>), the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (<i>SI 2019/970</i>), and The Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025.
Remuneration policy	The directors' remuneration policy as required by section 421 and section 439A of the Companies Act 2006. The remuneration policy must contain the information prescribed by Part 4 of the Regulations.

2. Glossary

Remuneration report	The directors' remuneration report, as required by sections 421 and section 439 of the Companies Act 2006, which must contain an annual statement, an annual remuneration report and, if being voted on, the remuneration policy (which the company may still choose to include if there is expected to be no vote on policy in the current year).
Reported year	The company's financial year for which details of remuneration are set out in an annual remuneration report, that is the year before the current year. This is referred to in the Regulations as the "relevant financial year".
RIS	Regulatory information service.
Single total figure table	A table showing the single total figure of remuneration for each director to be included in the annual remuneration report as required by paragraphs 4 to 12 of the Regulations.
Short-term incentive	Any amount (to be provided in cash, shares or other assets) received or receivable as a result of an award made in the reported year and the achievement of performance measures or targets within that year. This phrase is not used in the Regulations, which refer to these by various references to the requirement to disclose their value in the single total figure table, which is set out in paragraph 7(1)(c) of the Regulations. The most common type of short-term incentive is the annual bonus.
TSR	Total shareholder return.
Withholding	Withholding of amounts that would otherwise have been paid (see <i>Recovery and withholding (clawback and malus) in 3.1: Single total figure of remuneration</i>).



3. GC100 and investor group members

3.1 GC100

**Robert Welch
(Co-chair)**

Group Company Secretary
Monzo Bank Holding
Group Limited

**Victoria Whyte
(Co-chair)**

Company Secretary
GSK plc

Manissa Patel

VP Corporate Reward
Shell International Limited

Prakash Kakkad

General Counsel Corporate
and Deputy Group
Secretary
Unilever plc

Sarah Bradley

Head of Reward and
HR Operations
Severn Trent plc

Steve Allen

Deputy Chief Legal Officer
Rio Tinto plc

Julian Baddeley

Group Company Secretary
National Grid plc

3.2 Investors

**Jocelyn Brown
(Co-chair)**

Head of Governance
EMEA and APAC
T. Rowe Price

**Nathan Leclercq
(Co-chair)**

Head of Corporate
Governance
Aviva Investors

Andrew Woods

Responsible Investment
Manager
Aegon Asset
Management UK

Andrew Ninian

Director, Stewardship,
Risk and Tax
The Investment Association

Karoline Herms

Director, Investment
Stewardship
Legal & General

Marina Fellman

Vice President,
Investment Stewardship
BlackRock Inc.

Pippa O'Riley

Corporate Governance
Co-Lead
Schroders plc

3.3 Current secretariat 2025

Amanda Cantwell

Co-secretary to the Group
Senior Specialist Legal
Editor (Practical Law)
and GC100 Secretariat

Camelia Thomas

Co-secretary to the Group
GC100 Secretariat

Practical Law provides legal and secretariat support to the GC100 and Investor Group. To submit feedback on the Guidance, please contact Amanda Cantwell at Thomson Reuters (Practical Law).

3.4 Respondents to consultation on guidance

The Guidance has been developed with the benefit of consulting with a number of representative bodies and other relevant parties. The GC100 and Investor Group is grateful for the responses it received from:

- City of London Law Society
- Department for Business and Trade
- GC100 members
- The Chartered Governance Institute
- The Investment Association
- Members of the Remuneration Consultants Group
- 100 Group of Finance Directors

Disclaimer

This Directors' Remuneration Reporting Guidance, which does not necessarily reflect the views of all individual members of the GC100, or the participants in the GC100 and Investor Group or their employing companies, has been produced for guidance only.

It is the responsibility of individual companies to ensure that they understand, and have compliance procedures in place that meet the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/373) (as amended) and to take specific external advice (legal or otherwise) if they deem necessary.

