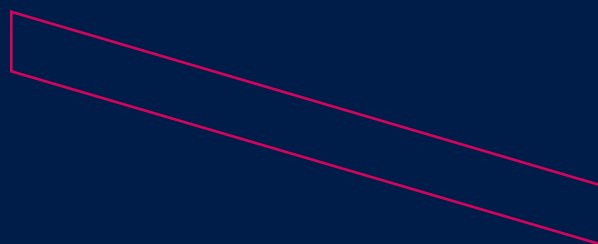
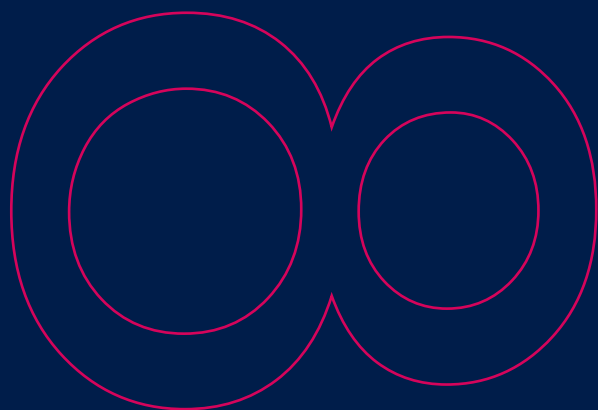


COMPANY SECRETARY'S CHECKLIST

The annual report of
a listed company



COMPANY SECRETARY'S CHECKLIST

THE ANNUAL REPORT OF A LISTED COMPANY

CONTENTS

INTRODUCTION	3
PART ONE: ANNUAL REPORT	7
The FRC - Role and 2018 Reporting Review	11
Strategic Report	25
Directors' Report	97
▶ Corporate Governance Statement	97
▶ Statutory and DTR Disclosures	141
▶ Listing Rules Disclosures	153
Remuneration Report	161
▶ Annual Statement	180
▶ Annual Report on Remuneration	181
▶ Remuneration Policy	200
Corporate Responsibility & Sustainability	215
Notes to the annual accounts	229
Finalising and publishing the Annual Report	237
PART TWO: PREPARING FOR THE ANNUAL GENERAL MEETING	245
Notice of meeting and Other considerations	254
Ordinary resolutions and Explanatory notes	263
Special resolutions and Explanatory notes	269
DEFINITIONS	274

INTRODUCTION

This document sets out the legal requirements relating to the preparation of the Annual Report of a listed company with a 31 December 2018 financial year end. It also draws attention to additional reports and guidance that, when allied to the mandatory reporting framework, will help enhance the quality of a listed company's narrative reporting.

In Part One, we outline the disclosure requirements applicable to the narrative reporting sections of a listed company's Annual Report. In Part Two, we outline the legal and other requirements applicable to the 2019 annual general meeting. In neither Part do we cover accounting or accounting-related matters in detail.

For the purpose of this document, a "listed company" is a company incorporated in the United Kingdom (not being a sovereign controlled commercial company) with a premium listing of equity shares which have been admitted to trading on the Main Market of the London Stock Exchange.

This document is up-to-date as at 18 December 2018.

What's new?

Strategic Report

New guidance - "Annual Review of Corporate Governance and Reporting 2017/2018" (October 2018)

The Financial Reporting Council has published a report of its most recent corporate reporting review activity. The report, which covers review activity for the year ended 31 March 2018, assesses the quality of corporate reporting, identifies current and likely future reporting issues and highlights the areas where it most commonly challenged companies. It also flags to audit committee chairs and finance directors key focus areas ahead of the 2018/19 reporting season. The document is essential reading for reporting teams as they prepare their forthcoming Annual Reports. Details of the FRC's role in monitoring corporate reporting compliance and the findings of its latest review (which this year, for the first time, also includes observations on governance) are set out on page 11 of this document.

New guidance - FRC's "Guidance on the Strategic Report" (July 2018)

The Financial Reporting Council has revised its guidance on strategic reporting. The guidance continues to be the principal "regulatory" publication to assist reporting teams with their preparations and drafting of this year's Strategic Report. The revised version encourages enhanced reporting on the way in which companies generate and preserve value, calling for greater transparency of a wider range of matters that impact the company's performance over the long term. The guidance reflects recent developments in non-financial reporting and aims to strengthen the link between the purpose of the Strategic Report and the duty of each director under section 172. Further details are set out on page 34 of this document.

New FRC observations - Financial Reporting Lab's Implementation Study "Business model reporting; Risk and viability reporting" (October 2018)

The FRC Financial Reporting Laboratory has revisited business model, risk and viability reporting during the year. In its recently published implementation study, the Lab examines how companies have responded to suggestions for good practice disclosure presented in its previous project reports. Listed companies should consider reviewing their business model and risk disclosures as well as their viability statements in light of the report's observations. Further details are set out on pages 36 and 46 of this document.

New FRC observations - Financial Reporting Lab's "Reporting of performance metrics" (June 2018) and "Performance metrics - Principles and practice" (November 2018)

The FRC Financial Reporting Laboratory has published a two-stage project report exploring how companies measure their performance against their strategic objectives. The first-stage report focuses on performance metrics from an investor perspective and includes a broad framework of principles for reporting performance that investors believe will enable companies to deliver information that better meets their needs. The second-stage report identifies current examples of how the investor principles can be applied effectively in practice. Further details are set out on page 37 of this document.

PART ONE: ANNUAL REPORT

In Part One of this document, we summarise the disclosure requirements applicable to the 2018 Annual Report, focusing on key changes since last year and noting other significant developments in reporting. We draw attention to the findings and conclusions of the Financial Reporting Council following its most recent review of corporate reporting and we also refer to additional “best market practice” guidance and publications issued on the contents of the Annual Report which you may choose to consider alongside the mandatory requirements.

Mandatory disclosures

The mandatory disclosure requirements are contained in:

- ▶ the Companies Act 2006 (as amended);
- ▶ the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended);
- ▶ the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 (as amended);
- ▶ the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014;
- ▶ the Capital Requirements (Country-by-Country Reporting) Regulations 2013;
- ▶ the FRC’s UK Corporate Governance Code (April 2016);
- ▶ the FCA’s Disclosure Guidance and Transparency Rules; and
- ▶ the FCA’s Listing Rules.

Voluntary disclosures

This document also includes commentary on our view of the material aspects of “best practice” guidance relating to the contents of an Annual Report contained in, among others, the following publications:

- ▶ the European Securities and Markets Authority’s “ESMA Guidelines on Alternative Performance Measures” (October 2015);
- ▶ the FRC’s “Annual Review of Corporate Governance and Reporting 2017/2018” (October 2018);
- ▶ the FRC’s “Board Diversity Reporting” (September 2018);
- ▶ the FRC’s “Guidance on the Strategic Report” (July 2018);
- ▶ the FRC’s “Guidance on Board Effectiveness” (July 2018);
- ▶ the FRC’s “Guidance on Audit Committees” (April 2016);
- ▶ the FRC’s “Guidance on Risk Management, Internal Control and Related Financial and Business Reporting” (September 2014);
- ▶ the FRC Financial Reporting Laboratory’s project reports on “Reporting of performance metrics” (June 2018) and “Performance metrics - Principles and practice” (November 2018);
- ▶ the FRC Financial Reporting Laboratory’s Implementation Study “Business model reporting; Risk and viability reporting” (October 2018);
- ▶ the FRC Financial Reporting Laboratory’s project report on “Risk and viability reporting” (November 2017);
- ▶ the FRC Financial Reporting Laboratory’s project report on “Business model reporting” (October 2016);
- ▶ the GC100’s “Guidance on Directors’ Duties: Section 172 and Stakeholder Considerations” (October 2018);

ICSA Awards 2018 - Annual Report of the Year

The ICSA Awards aim to encourage better corporate governance through improved disclosure in narrative reporting. The annual awards presentation seeks not only to reward 'best in class' disclosure, but also to increase the levels of trust and confidence in governance arrangements and encourage more effective shareholder engagement.

Set out below are some of the key elements that the ICSA Awards 2018 judging panel stated that it specifically looked for when judging the "Annual Report of the Year" category at this year's awards ceremony. The names of the FTSE 100 and 250 winners of that category for 2018 (and other shortlisted candidates) are shown below for reference.

Best Annual Report	
Best Annual Reports:	
-	establish clear and relevant links between strategy, risk, KPIs, sustainability and remuneration;
-	provide insight into how the board works, including how it manages risk, its approach to diversity (including gender), and attempted engagement with shareholders;
-	are an interesting and enjoyable read, and easy to comprehend;
-	set the tone from the top and accurately describe the board's work in providing leadership and oversight;
-	provide an honest "warts and all" appraisal of the year, with no material omitted; and
-	make intelligent and helpful use of photos and graphics, and judicious use of case studies.

ICSA Awards 2018 – FTSE 100: "Annual Report of the Year"	
<i>Winner:</i>	SSE plc
<i>Other shortlisted candidates:</i>	Legal and General Group plc
	National Grid plc
	Rolls-Royce Holdings Plc
	Vodafone Group plc
ICSA Awards 2018 – FTSE 250: "Annual Report of the Year"	
<i>Winner:</i>	Hammerson plc
<i>Other shortlisted candidates:</i>	Cranswick plc
	Great Portland Estates plc
	Greencore Group plc

THE FRC - ROLE AND 2018 REPORTING REVIEW

The role of the Financial Reporting Council in annual reporting

The FRC is responsible for promoting high-quality corporate governance and reporting with a view to encouraging investment. In practice, this means helping the UK capital markets function efficiently. Through its Conduct Committee, the FRC reviews the annual accounts and financial reports of public (and large private) companies to ensure compliance with the requirements of the 2006 Act, applicable accounting standards and other reporting requirements. The reports of listed companies required to comply with accounting requirements imposed by the FCA also fall within the scope of its review. The FRC's review resource is, therefore, primarily directed at companies of economic significance where a material error in compliance with the rules could have implications, not just for the company concerned, but for the market as a whole.

The Annual Reports of FTSE 350 listed companies are selected for review on a rotational basis. The FRC states that it aims to review such Annual Reports in full at least once every five years, with certain aspects of FTSE 350 reporting subject to at least one thematic review in between times. Reviews may also result from the FRC's focus on specific sectors of the economy, particularly those regarded as being under stress. Reviews may also be prompted by specific topical accounting issues, by press comment or by complaint about the Annual Report. In 2017/18, the FRC received 11 complaints (2016/17: 20), two of which were referrals from other regulators (2016/17: four).

FRC reviews focus on those aspects of the Annual Report for which it has delegated powers to monitor compliance, most notably the Strategic Report, the Directors' Report and the financial statements. The FRC's monitoring and enforcement powers do not cover the corporate governance statement nor the Remuneration Report (although the FRC does make observations on these areas given that the Annual Report taken as a whole should be "fair, balanced and understandable"). In conducting an initial review of an Annual Report, the FRC's Conduct Committee will, in addition to monitoring compliance, look to gain a full understanding of a company's business model and how that model is explained and reflected through the company's accounting. It will read the Annual Report to consider whether it gives a comprehensive view of the company's results, financial position and the principal risks the company faces. It will consider whether due prominence is given to the most relevant information and whether there is excessive disclosure of irrelevant or immaterial information.

A company whose Annual Report has been reviewed by the FRC will receive one of three corporate reporting review letters as follows:

- ▶ **"No substantive issues" letter** - The Conduct Committee will send a "no substantive issues" letter where it has neither questions nor queries that it wishes to raise with the company following its review. The company need only acknowledge receipt of this type of letter. The FRC expects such a "no substantive issues" letter to be referenced by the audit committee in its next audit committee report as an interaction with the FRC in accordance with the FRC Audit Committee Guidance on the basis that it will be a matter of interest to investors and other stakeholders.
- ▶ **"No substantive issues" letter with schedule** - The Conduct Committee will send a "no substantive issues" letter, together with a schedule of items, where it does not have any substantive issues to raise, but where it has identified in the schedule other items which it expects the company to consider during the preparation of its next Annual Report. The company only need make additional disclosures if they are relevant and material to the Annual Report. The Conduct Committee may choose to use the schedule to draw the board's attention to apparent opportunities to reduce disclosures and "cut clutter" with a view to making the Annual Report clearer and more concise. The company must acknowledge receipt of this type of letter and note the scheduled items as points for consideration for its future reporting. As above, the audit committee should reference its interaction with the FRC in its next audit committee report in accordance with the FRC Audit Committee Guidance.
- ▶ **"Request" letter** - If the Conduct Committee considers that a company may be non-compliant with the statutory requirements, it may set out its concerns and request additional information (or an explanation) from the company to understand better the circumstances that have given rise to those concerns. Based on the information the Committee receives in response, it will determine whether an enquiry should be opened into an alleged breach. Letters issued by the Conduct Committee will be addressed to the company's chair and copied to the finance director and the audit committee chair where practicable. If the Committee does not receive a satisfactory and timely explanation in respect of a matter raised, or if such matter is not otherwise resolved by agreement, and it appears to the Committee that there is still a possibility of a significant breach of the requirements, it will establish a "Review Group" enquiry to make more detailed investigations.

STRATEGIC REPORT

Introduction

In this section we set out the statutory and regulatory requirements of the Strategic Report as well as noting the impact of future developments in strategic reporting. We also explain where to find guidance that will assist in the preparation of an insightful report and reproduce extracts from parts of that guidance which, in our opinion, are critical to achieving a Strategic Report that not only complies with the legal and regulatory framework but which recognises the overriding objective of communicating material information and “telling the company’s story” to members in an effective and engaging manner.

No rule changes since last year

There have been no changes during the year to the statutory requirements to prepare a Strategic Report.

Second year of non-financial information reporting

Last year, as a result of changes to the 2006 Act implementing EU Directive 2014/95/EU (on non-financial and diversity information), a listed company with more than 500 employees (or group employees in the case of a parent company) on average during the financial year was required for the first time to include in its Strategic Report a Non-Financial Information Statement.

At the time listed companies were preparing their first Non-Financial Information Statements, the FRC’s guidance on strategic reporting, which proposed new guidance to assist with the preparation of those statements, was still in draft form and subject to consultation. As an interim measure for year one reporting, therefore, many companies referred to the FRC’s “Non-Financial Reporting Factsheet” and its “Frequently Asked Questions on Non-Financial Reporting” for guidance.

During the year, the FRC’s “Guidance on the Strategic Report” (July 2018) was finalised and published. The key aspects of the guidance are summarised on page 34 of this document. As anticipated, the revised document now provides guidance on the “enhanced” content elements of a Strategic Report for a listed company required to produce a Non-Financial Information Statement.

In this second year of reporting, listed companies within scope should, therefore, look to enhance their existing non-financial information disclosures, taking specific account of new Section 7B of the FRC Strategic Report Guidance. Reporting teams should also consider reflecting on the FRC’s observations of the first year of reporting as set out in its 2018 Report. Most notably, the 2018 Report refers to research undertaken by PwC into how listed companies have responded to the challenge of meeting the new reporting requirements. The FRC’s comments and PwC’s conclusions (including its top three areas of focus for improvement) are set out on page 15 of this document.

Key developments - Statutory purpose and section 172 reporting

The statutory purpose of the Strategic Report is “to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company for the benefit of its members as a whole)” and in doing so “have regard to” the non-exhaustive range of stakeholder interests and other considerations set out in that section.

Section 172 states:

- “(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to -
- (a) the likely consequences of any decision in the long term,
 - (b) the interests of the company’s employees,
 - (c) the need to foster the company’s business relationships with suppliers, customers and others,
 - (d) the impact of the company’s operations on the community and the environment,
 - (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
 - (f) the need to act fairly as between members of the company.

Strategic Report - disclosure requirements

		reference (e.g. page [] / ✓, x, n/a or ?)
Duty to prepare Strategic Report		
s.414A	Have the directors prepared a Strategic Report for the financial year? (Notes 1 and 2)	
s.414C(1)	Does the Strategic Report fulfil its statutory purpose “to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company)”? (Note 3)	
	Does the Strategic Report: (Notes 4 and 5)	
Fair review		
s.414C(2)(a) and DTR 4.1.8 R(1)	- contain a fair review of the company’s business? (Note 6)	
Principal risks and uncertainties		
s.414C(2)(b) and DTR 4.1.8 R(2)	- contain a description of the principal risks and uncertainties facing the company? (Notes 7 and 8)	
Balanced and comprehensive analysis		
s.414C(3) and DTR 4.1.9 R(1)	- constitute “a balanced and comprehensive analysis ... consistent with the size and complexity of the business” of: (Notes 6 and 9)	
	(a) “the development and performance of the company’s business during the financial year”?	
	(b) “the position of the company’s business at the end of that year”?	
Key Performance Indicators		
s.414C(4) and DTR 4.1.9 R(2)	- include analysis (“to the extent necessary for an understanding of the development, performance or position of the company’s business”) using: (Note 10)	
	(a) financial key performance indicators? (Note 11)	
	(b) other key performance indicators, where appropriate, including information relating to environmental matters and employee matters? (Notes 11 and 33)	
Trends, factors and non-financial information		
s.414C(7)	- include (“to the extent necessary for an understanding of the development, performance or position of the company’s business”): (Note 10)	
	(a) “the main trends and factors likely to affect the future development, performance or position of the company’s business”? (Note 12)	

FRC Strategic Report Guidance

Content elements

The FRC's "Guidance on the Strategic Report" (July 2018) includes content elements for the Strategic Report. These content elements are derived from the 2006 Act and address the reporting obligations of both those entities subject to the requirements of section 414C (Contents of the Strategic Report) and those within scope of section 414CB (Contents of the Non-Financial Information Statement).

A company incorporated in the United Kingdom with a premium listing of equity securities which have been admitted to trading on the Main Market of the London Stock Exchange will be required to prepare a Strategic Report that complies with the content requirements of section 414C. Such a listed company will also satisfy the definition of a "traded company" (section 474(1)) and, as such, will be required to comply with the additional non-financial information reporting content requirements of section 414CB where it has more than 500 company (or group) employees (section 414CA(4)).

The content elements of the FRC Strategic Report Guidance are, therefore, presented in this document as follows:

► Content guidance for listed companies with 500 company (or group) employees or fewer	63
► Content guidance for listed companies with more than 500 company (or group) employees	73

In both cases, the guidance is presented in tabular form. The tables summarise, in bold text, the FRC's interpretation of the key content elements of the Strategic Report. Each content element summarised is broadly consistent with the corresponding requirement of the 2006 Act (shown, where applicable, in bold text in the left hand column). Beneath each content element are extracts from paragraphs of the FRC Strategic Report Guidance pertinent to the contents of that part of the report. The extracts in this document retain the use of the FRC's terms "must", "should" and "could" to distinguish between mandatory disclosure requirements and best practice guidance.

The content elements in the FRC Strategic Report Guidance are occasionally supplemented by supporting material in the form of questions for the board designed to assist the directors in considering the types of disclosures they might make and practical examples where a particular content element warrants further application guidance. The FRC Strategic Report Guidance also provides examples which illustrate ways in which preparers can link together elements of the Strategic Report and the wider Annual Report to ensure a more coherent and insightful final document. The FRC stresses that the various content elements to be included in the Strategic Report should not be addressed in isolation, but cohesively, highlighting and explaining any relationships and interdependencies with other areas of reporting. The FRC's supporting guidance has not been included in this document. Reference should be made to the FRC Strategic Report Guidance itself.

Content elements for section 172 reporting

In July, the government published The Companies (Miscellaneous Reporting) Regulations 2018. As a key part of the government's corporate governance reform agenda, the Miscellaneous Reporting Regulations aim to drive greater transparency in reporting by, among other matters, requiring companies of a "significant" size to explain how their directors comply with the requirements of section 172 to have regard to stakeholders.

Accordingly, a listed company (being within scope of section 414CZA as a company that does not qualify as medium-sized for the purposes of the 2006 Act) will be required to ensure that its Strategic Report for each financial year beginning on or after 1 January 2019 includes a statement describing how the directors have had regard to the matters set out in section 172 (Duty to promote the success of the company) when performing their duties under that section.

The FRC Strategic Report Guidance includes basic content guidance to assist those companies required to prepare a Section 172(1) Statement. While a listed company with a calendar financial year end will only first be required to include a Section 172(1) Statement in its Strategic Report for the year ending 31 December 2019 (and, therefore, published in Spring 2020), reporting teams may wish to begin the exercise of articulating how their directors have discharged their section 172 duty on a voluntary basis this year in advance of both the statutory requirement and 2018 Code provision 5 (Understanding stakeholder views and reporting on the consideration of their interests and section 172 matters) applying.

New guidance and other materials published since last year

In October, the Financial Reporting Council published its annual report setting out its findings following its most recent round of corporate governance and reporting review activity. With its assessment of the current state of corporate reporting, its indication of areas where it commonly challenges companies and its suggestions for improved reporting, "Annual Review of Corporate Governance and Reporting 2017/2018" (October 2018) is essential reading for reporting teams to help shape the quality of their disclosures this year. Of particular interest is the FRC's commentary on Code compliance and, for audit committee chairs, the FRC's observations on financial statement disclosures.

In July, the Financial Reporting Council also published a revision of its "Guidance on Board Effectiveness" (July 2018). The guidance, which complements the 2018 UK Corporate Governance Code, is designed to assist boards in applying the 2018 Code and exploring ways in which they might improve their overall effectiveness.

Towards the end of the year, the Financial Reporting Council published "Board Diversity Reporting" (September 2018), reviewing the quality of reporting on diversity at board and senior management level. The report coincides with publications of the annual progress reports issued by the three major diversity Review Committees which will inform diversity reporting.

At the end of last year, the Financial Reporting Council's Audit & Assurance Lab also published "Audit committee reporting" (December 2017) which examines the role of audit committee reporting in promoting audit quality and highlights areas of reporting that can be enhanced to meet investor expectations.

These documents are summarised below.

Where to find principal guidance and other materials on governance

Key publications, reviews and guidance on the following aspects of governance reporting are summarised and presented on the following pages:

"Comply or Explain"	
- FRC's "What constitutes an explanation under 'comply or explain'? Report of discussions between companies and investors" (February 2012) and the EC's Recommendation (April 2014)	106
- NEW: FRC's "Annual Review of Corporate Governance and Reporting 2017/2018" (October 2018) - Code compliance	107
Board effectiveness	
- NEW: FRC's "Guidance on Board Effectiveness" (July 2018)	107
- NEW: ICSA's proposed review of board evaluations	107
- EY / Investment Association's "Board effectiveness - continuing the journey" (April 2015)	107
Culture	
- FRC's "Corporate Culture and the Role of Boards - Report of Observations" (July 2016)	108
Diversity	
- NEW: FRC's "Board Diversity Reporting" (September 2018)	109
- The Parker Review: "A Report into the Ethnic Diversity of UK Boards" (October 2017)	109
- NEW: The Parker Review: "A Report into the Ethnic Diversity of UK Boards" - First annual progress report (October 2018)	111
- The McGregor-Smith Review: "Race in the workplace" (February 2017)	111

UK Corporate Governance Code 2018 - Overview of Annual Report disclosures for 2019/20

In July, the Financial Reporting Council published the 2018 version of its “UK Corporate Governance Code”. The key differences between the current Code and the 2018 Code are summarised on page 97 of this document. The 2018 Code formally applies to listed companies with financial years beginning on or after 1 January 2019, meaning that a listed company with a calendar year end will first be required to report against the 2018 Code in its entirety in respect of its financial year ending 31 December 2019.

To assist reporting teams in understanding how reporting will change under the 2018 Code, the tables below provide an overview of the provisions of the 2018 Code that recommend a specific disclosure in future Annual Reports and may be helpful to those reporting teams that wish to report on any aspect of the 2018 Code on a voluntary basis this year. It should be noted, however, that the 2018 Code includes a specific re-focus on the application of principles to address the over-emphasis in reporting on compliance with provisions. Reporting on provisions, on a “comply or explain” basis, should support the effective application of principles, rather than being the main focus of a company’s reporting.

Section 1	Board Leadership and Company Purpose	Notes
	The Annual Report should:	
Provision 1	- describe how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company’s business model and how its governance contributes to the delivery of its strategy.	
Provision 2	- explain what the board has done to assess and monitor culture and any action it has taken. In addition, the Annual Report should include an explanation of the company’s approach to investing in and rewarding its workforce.	
Provision 4	- include a final summary on what impact feedback received from shareholders (following engagement to understand the reasons behind any vote of 20 per cent. or more against a board-recommended resolution at a shareholder meeting) has had on the decisions the board has taken and any actions or resolutions proposed.	
Provision 5	- describe how the interests of key stakeholders and the matters set out in section 172 have been considered in board discussions and decision-making.	
	- explain what alternative arrangements the board has put in place to engage with the workforce (where it has not chosen one or more of the methods recommended in Provision 5) and why the board considers that such arrangements are effective.	

REMUNERATION REPORT

Introduction

In this section we set out the information required to be included in the Remuneration Report by:

- ▶ the 2006 Act;
- ▶ the Accounts Regulations; and
- ▶ the Listing Rules.

The Remuneration Report comprises three parts:

- ▶ **An Annual Statement** - A statement by the chairman of the remuneration committee summarising major decisions taken on, and any substantial changes to, remuneration during the year including the context for such decisions and changes. The requirements for the Annual Statement are set out on page 180 of this section.
- ▶ **An Annual Report on Remuneration** - A report on the implementation of the listed company's policy on remuneration for the financial year under review. The disclosure requirements for the Annual Report on Remuneration are set out from page 181 of this section.
- ▶ **A Remuneration Policy** - A report setting out the listed company's forward-looking policy on remuneration and potential payments. The level of disclosure required in respect of the Remuneration Policy will, however, depend on whether the company intends to put the policy to a binding shareholder vote at general meeting. The disclosure requirements for the Remuneration Policy, whether or not shareholder approval is being sought, are set out from page 200 of this section.

In terms of structuring the Remuneration Report, although the Accounts Regulations set out the requirements in respect of the Annual Report on Remuneration first, the vast majority of listed companies follow a more logical order and set out their Remuneration Policy (or a summary of their policy where shareholder approval is not being sought) first, before moving on to the Annual Report on Remuneration.

On page 179 of this document, we have set out some of the key elements that the ICSA Awards 2018 judging panel stated that it specifically looked for when judging the "Remuneration Report of the Year" category at this year's awards ceremony. The 2018 winner of that category (and other shortlisted candidates) are also shown for reference.

Changes since last year - Remuneration Policy

New Remuneration Policy for approval at the 2019 AGM?

The 2006 Act requires a listed company to put its Remuneration Policy back to shareholders for approval every three years (unless the company wishes to change the approved policy or otherwise fails to obtain shareholder approval of any subsequent Annual Report on Remuneration). Most listed companies with a 31 December financial year end put a new Remuneration Policy to shareholders for approval at their AGM in 2017 (having obtained shareholder approval for their first Remuneration Policy at their AGM in 2014 in accordance with requirements under the remuneration reporting regime that came into force on 1 October 2013).

However, a number of listed companies changed their Remuneration Policy at the end of the second year after the new reporting regime came into force, seeking approval for the new revised Remuneration Policy at their AGM in 2016. Those companies will be required to put their Remuneration Policy back to shareholders at their AGM in 2019.

New Remuneration Policy and 2018 Code

During the year, the Financial Reporting Council published the 2018 version of its UK Corporate Governance Code, and has subsequently published its "2018 UK Corporate Governance Code – FAQs" (November 2018). The 2018 Code makes a number of fundamental changes to the way in which executive remuneration is determined and disclosed.

While the 2018 Code first formally applies to accounting periods beginning on or after 1 January 2019, the FRC has indicated in its accompanying Q&A that new Remuneration Policies and changes to existing Policies should be developed with reference to the 2018 Code and the FRC Guidance on Board Effectiveness. Therefore, a listed company that intends to propose a new

		reference (e.g. page [] / ✓, x, n/a or ?)
Elements of remuneration and single total figure		
Accounts Regulations Sch 8 paras 4-12 and Sch 5 para 1(1)(a) and (d)	Is there a table in the prescribed form setting out the prescribed information on the various elements of pay for each director in respect of his performance of, or agreement to perform, qualifying services for the financial year and the previous financial year? (Note 1)	
	Does the table include in its final column a single total pay figure being the sum of the other figures set out in the table?	
GC100 Remuneration Guidance	<i>Information for non-executive directors can be set out in a separate table and it may be clearer for investors if two tables are produced.</i>	
LR 9.8.4 R(5)	Does the Remuneration Report give details of any arrangements under which a director has waived or agreed to waive any emoluments from a group undertaking? (Note 2)	
LR 9.8.4 R(6)	If a director has agreed to waive future emoluments, does the Remuneration Report give details of the waiver and the emoluments waived during the financial year? (Note 2)	
Total pension entitlements		
Accounts Regulations Sch 8 para 13(1)	Is the prospective pension entitlement (whether to defined benefits or cash balance benefits or to benefits under a hybrid arrangement which includes such benefits) disclosed for each director during the financial year as follows: (a) details of pension rights as at the end of the financial year, including normal retirement date; (b) a description of any additional benefit receivable on early retirement; (c) if the director has an entitlement under more than one type of pension benefit, are details disclosed separately for each type of benefit? (Note 3)	
Accounts Regulations Sch 5 para 1(1)(d)	In respect of directors, is the aggregate value disclosed of any company contributions to a pension scheme by reference to which the rate or amount of any money purchase benefits that may become payable will be calculated? (Notes 4 and 5)	
Accounts Regulations Sch 5 para 1(2)	Is the number of directors disclosed to whom retirement benefits are accruing under money purchase schemes and defined benefit schemes? (Notes 4 and 6)	
GC100 Remuneration Guidance	<i>Due to the substantial nature of some pension entitlements, investors find it helpful for pensions to be disclosed in a comprehensive form. An explanation of the key features of the pension entitlement (where the single figure does not capture the full entitlement) may help understanding.</i> <i>If a defined benefit scheme is not a final salary scheme, the nature of the benefit must be outlined along with the accrued amount.</i>	

Notice of meeting and Other considerations

		reference (e.g. page [] / ✓, x, n/a or ?)
Notice of meeting - front end		
s.337(1)	Does the notice specify the meeting as being the AGM?	
s.311(1) and DTR 6.1.12 R(1)	Does the notice state the time, date and place of the meeting?	
s.336(1)	Is the AGM being held within six months of the financial year end?	
	Does the notice contain separate resolutions on each substantially separate issue? (Note 1)	
	For details of standard AGM business proposed as ordinary resolutions, see page 263.	
s.283(6)	Does the notice specify the intention to propose each special resolution as such and is the text of each such proposed special resolution included?	
	For details of standard AGM business proposed as special resolutions, see page 269.	
	Have the articles of association been checked to ensure any requirements relevant to the notice of meeting have been satisfied (such as the distinction between ordinary and special business)?	
	Does the notice have a statement that it is issued "By order of the Board" and is it signed by the secretary and dated? (Note 2)	
	Does the notice state the company's registered office?	
Notice of meeting - notes		
s.311(3)(b) and Uncertificated Securities Regulations 2001 reg 41	Does the notice state that the right of a member to vote at the meeting will be determined by reference to the register of members and does it set a cut-off time (not more than 48 hours before the time for the holding of the meeting) for recognising changes in the register of members for the purpose of determining rights to attend and vote at the AGM? (Note 3)	
s.325(1) and DTR 6.1.12 R(3)	Is there a reasonably prominent statement of the rights of shareholders to appoint proxies?	
s.149(2)	Is there a statement that any person nominated under s.146 (nomination of persons to enjoy information rights):	
	(a) may have a right under an agreement between him and the appointing member to be appointed, or to have someone else appointed, as a proxy for the meeting; and	
	(b) if he has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights?	

AG's Governance & Compliance Portal



Governance teams of listed companies face a huge compliance burden driven by a disparate array of statutes, regulations, codes and guidelines. In addition, teams must be mindful of the ever shifting sands of best practice.

AG's Governance & Compliance Portal draws all those sources together, divided intuitively by subject matter and work stream to allow easier navigation. It also provides access to a growing database of checklists, flow-charts, training guides, precedents, updates and other know-how, all of which is updated in real time. The Portal also acts as the on-line "home" of our Annual Reporting Checklist, materially enhancing your use of it by providing links to all key sources of information and to examples of best reporting practice.

The Portal can also be tailored to meet your governance team's specific requirements, including to accommodate in-house precedents, know-how and policies as well as to trigger notification of key deadlines driven by your corporate calendar.

For a demonstration or to discuss how the Portal might work for you, please contact:



Will Chalk
07775 586503
will.chalk@addleshawgoddard.com



Richard Preston
020 7544 5439
richard.preston@addleshawgoddard.com

Tier 1, Corporate Governance

LEGAL 500, 2018

addleshawgoddard.com

Aberdeen, Doha, Dubai, Edinburgh, Glasgow, Hong Kong, Leeds, London, Manchester, Muscat, Singapore and Tokyo*

* a formal alliance with Hashidate Law Office

PRICE £1,750