

LAW & POLICY GROUP**GRIST****UK: NEW REMUNERATION REPORTING RULES TO APPLY TO UK LISTED COMPANIES**

*By Mercer's Peter Boreham, Fiona Webster and Stephanie Rosseau
31 May 2019, updated 5 Jun 2019*

New requirements for remuneration reporting and governance — [The Companies \(Directors' Remuneration Policy and Directors' Remuneration Report\) Regulations 2019](#) — take effect on 10 Jun 2019. The regulations implement the EU's shareholder rights directive and are expected to require only limited changes to the UK's current framework.

KEY CHANGES

- The regulations now include unquoted traded companies — the old UK law applied only to quoted companies.
- For remuneration policies approved on or after 10 Jun 2019:
 - Companies must report on the remuneration of the board directors, the CEO and deputy CEO (where applicable) where these roles aren't part of the board.
 - Companies that lose a shareholder vote on a proposed remuneration policy must present a new policy for voting at the next annual general meeting. Under the old provisions, companies were allowed to rely on an unexpired remuneration policy.
 - Policies must include the process for determining and implementing remuneration policies, including the measures aimed at avoiding or managing conflicts of interest and an explanation of the remuneration committee's role. Policies must specify the duration of directors' service contracts where these haven't already been disclosed.
 - Payments made outside of the approved remuneration policy are permitted only if shareholders have approved a policy amendment authorizing such payments. Under the old law, one-off approval was permitted for this type of payment.

- Annual reports on remuneration for financial years starting on or after 10 Jun 2019 must be freely available on the company's website for 10 years and include:
 - Details on how the policy is implemented for the CEO and deputy CEO (where applicable), even if these roles aren't part of the board
 - The total fixed and variable remuneration paid to each director
 - Changes in annual remuneration comparing the percentage change in CEO remuneration to pay of other employees expanded to show the percentage change for all directors (including nonexecutive directors). The remuneration calculation will be based on the entire workforce (under the old law, companies could choose an appropriate subset of employees), and companies can build up the disclosure over a five-year period.

RELATED RESOURCES

- [The Companies \(Directors' Remuneration Policy and Directors' Remuneration Report\) Regulations 2019](#) (UK Government, 22 May 2019)
- [Explanatory Memorandum Accompanying the Regulations](#) (UK Government, 22 May 2019)

Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.