STATUTORY RULES OF NORTHERN IRELAND

2005 No. 56

COMPANIES

The Directors' Remuneration Report Regulations (Northern Ireland) 2005

Made - - - - 1st March 2005
To be laid before Parliament under paragraph 7(3) of the Schedule to the Northern Ireland Act 2000

Coming into operation 30th March 2005

The Department of Enterprise, Trade and Investment(**1**), in exercise of the powers conferred on it by Article 265 of the Companies (Northern Ireland) Order 1986(**2**) and of all other powers enabling it in that behalf, hereby makes the following Regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Directors' Remuneration Report Regulations (Northern Ireland) 2005.

(2) These Regulations shall come into operation on 30th March 2005 and shall have effect as respects companies' financial years beginning on or after 1st April 2005.

(3) In these Regulations, "the Order" means the Companies (Northern Ireland) Order 1986.

Disclosure required in notes to accounts

2. For Article 240(1) of the Order(**3**) (disclosure of directors' emoluments, etc. in notes to accounts) substitute –

> "(1) The information specified in Schedule 6 shall be given in notes to a company's annual accounts, save that the information specified in paragraphs 2 to 14 in Part I of Schedule 6 shall be given only in the case of a company which is not a quoted company.".

(**1**) Formerly the Department of Economic Development; *see*S.I.1999/283 (N.I. 1), Article 3(5)
(**2**) S.I. 1986/1032 (N.I. 6); Article 265 was inserted into the 1986 Order by Article 22 of the Companies (Northern Ireland) Order 1990 (S.I. 1990/593 (N.I. 5)) in place of an existing Article of that number
(**3**) Article 240 was inserted into the 1986 Order by Article 8(3) of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

Directors' remuneration report

3. After Article 242A of the Order(**4**) (approval and signing of directors' report), insert –

"Quoted companies: directors' remuneration report

Duty to prepare directors' remuneration report

242B.—(1) The directors of a quoted company shall for each financial year prepare a directors' remuneration report which shall contain the information specified in Schedule 7A and comply with any requirement of that Schedule as to how information is to be set out in the report.

(2) In Schedule 7A –

Part I is introductory,

Part II relates to information about remuneration committees, performance related remuneration and liabilities in respect of directors' contracts,

Part III relates to detailed information about directors' remuneration (information included under Part III is required to be reported on by the auditors, see Article 243), and

Part IV contains interpretative and supplementary provisions.

(3) In the case of any failure to comply with the provisions of this Part as to the preparation of a directors' remuneration report and the contents of the report, every person who was a director of the quoted company immediately before the end of the period for laying and delivering accounts and reports for the financial year in question is guilty of an offence and liable to a fine.

(4) In proceedings against a person for an offence under paragraph (3) it is a defence for him to prove that he took all reasonable steps for securing compliance with the requirements in question.

(5) It is the duty of any director of a company, and any person who has at any time in the preceding five years been a director of the company, to give notice to the company of such matters relating to himself as may be necessary for the purposes of Parts II and III of Schedule 7A.

(6) A person who makes default in complying with paragraph (5) commits an offence and is liable to a fine.

Approval and signing of directors' remuneration report

242C.—(1) The directors' remuneration report shall be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.

(2) Every copy of the directors' remuneration report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the person who signed it on behalf of the board.

(3) The copy of the directors' remuneration report which is delivered to the registrar shall be signed on behalf of the board by a director or the secretary of the company.

(4) If a copy of the directors' remuneration report –

(**4**) Article 242A was inserted into the 1986 Order by Article 10 of the Companies (Northern Ireland) Order 1990

(a) is laid before the company, or otherwise circulated, published or issued, without the report having been signed as required by this Article or without the required statement of the signatory's name being included, or

(b) is delivered to the registrar without being signed as required by this Article,

the company and every officer of it who is in default is guilty of an offence and liable to a fine.".

Auditors' report

4. In Article 243 of the Order(**5**) (auditors' report), after paragraph (3) insert –

"(4) If a directors' remuneration report is prepared for the financial year for which the annual accounts are prepared the auditors shall in their report –

(a) report to the company's members on the auditable part of the directors' remuneration report, and

(b) state whether in their opinion that part of the directors' remuneration report has been properly prepared in accordance with this Order.

(5) For the purposes of this Part, "the auditable part" of a directors' remuneration report is the part containing the information required by Part III of Schedule 7A.".

Duties of auditors

5. In Article 245(1) of the Order(**6**) (auditors' duty to carry out investigations), after sub-paragraph (b), delete "." and insert – ", and

(c) (in the case of a quoted company) whether the auditable part of the company's directors' remuneration report is in agreement with the accounting records and returns.".

6. For Article 245(4) of the Order (auditors' statement of directors' emoluments, etc.), substitute –

"(4) If –

(a) the requirements of Schedule 6 (disclosure of information: emoluments and other benefits of directors and others) are not complied with in the annual accounts, or

(b) where a directors' remuneration report is required to be prepared, the requirements of Part III of Schedule 7A (directors' remuneration report) are not complied with in that report,

the auditors shall include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.".

Members' vote on directors' remuneration report

7. After Article 249 of the Order(**7**) (accounts and reports to be laid before company in general meeting), insert –

(**5**) Article 243 was inserted into the 1986 Order by Article 11 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(**6**) Article 245 was inserted into the 1986 Order by Article 11 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(**7**) Article 249 was inserted into the 1986 Order by Article 13 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

"**Members' approval of directors' remuneration report**

249A.—(1) This Article applies to every company that is a quoted company immediately before the end of a financial year.

(2) In this Article "the meeting" means the general meeting of the company before which the company's annual accounts for the financial year are to be laid.

(3) The company must, prior to the meeting, give to the members of the company entitled to be sent notice of the meeting notice of the intention to move at the meeting, as an ordinary resolution, a resolution approving the directors' remuneration report for the financial year.

(4) Notice under paragraph (3) shall be given to each such member in any manner permitted for the service on him of notice of the meeting.

(5) The business that may be dealt with at the meeting includes the resolution.

(6) The existing directors must ensure that the resolution is put to the vote of the meeting.

(7) Paragraph (5) has effect notwithstanding –

(a) any default in complying with paragraphs (3) and (4);

(b) anything in the company's articles.

(8) No entitlement of a person to remuneration is made conditional on the resolution being passed by reason only of the provision made by this Article.

(9) In the event of default in complying with the requirements of paragraphs (3) and (4), every officer of the company who is in default is guilty of an offence and liable to a fine.

(10) If the resolution is not put to the vote of the meeting, each existing director is guilty of an offence and liable to a fine.

(11) If an existing director is charged with an offence under paragraph (10), it is a defence for him to prove that he took all reasonable steps for securing that the resolution was put to the vote at the meeting.

(12) In this Article "existing director" means a person who, immediately before the meeting, is a director of the company.".

Provision of summary financial statement to shareholders

8.—(1) Article 259 of the Order(**8**) (provision of summary financial information to shareholders) shall be amended as follows.

(2) For paragraph (3) substitute –

"(3) The summary financial statement –

(a) shall be derived from the company's annual accounts, the directors' report and (in the case of a quoted company) the directors' remuneration report, and

(b) shall be in such form and contain such information as may be specified by regulations made by the Department.".

(3) For paragraph (4) substitute –

"(4) Every summary financial statement shall –

(a) state that it is only a summary of information in the company's annual accounts, the directors' report and (in the case of a quoted company) the directors' remuneration report;

(**8**) Article 259 was inserted into the 1986 Order by Article 17 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and amended by S.R. 1993 No. 220, S.I. 2001/3649 and S.R. 2003 No. 3

(b) contain a statement by the company's auditors of their opinion as to whether the summary financial statement is consistent with those accounts and those reports and complies with the requirements of this Article and regulations made under it;

(c) state whether the auditors' report on the annual accounts, or on the annual accounts and the auditable part of the directors' remuneration report, was unqualified or qualified, and if it was qualified set out the report in full together with any further material needed to understand the qualification;

(d) state whether that auditors' report contained a statement under –

(i) Article 245(2); or

(ii) Article 245(3),

and if so, set out the statement in full.".

Content of directors' remuneration report

9. After Schedule 7 to the Order (matters to be dealt with in directors' report) insert the Schedule 7A which is set out in the Schedule.

Minor and consequential amendments

10.—(1) The following minor and consequential amendments to the Order shall have effect.

(2) In Article 245(2) (duties of auditors), after "the company's individual accounts are not in agreement with the accounting records and returns," insert "or if in the case of a quoted company the auditable part of its directors' remuneration report is not in agreement with the accounting records and returns,".

(3) In Article 246(1)(**9**) (persons entitled to receive copies of accounts and reports), for "A copy of the company's annual accounts, together with a copy of the directors' report for that financial year and of the auditors' report on those accounts," substitute "A copy of each of the documents mentioned in paragraph (1A),".

(4) In Article 246, after paragraph (1), insert –

"(1A) Those documents are –

(a) the company's annual accounts for the financial year,

(b) the directors' report for that financial year,

(c) (in the case of a quoted company) the directors' remuneration report for that financial year, and

(d) the auditors' report on those accounts or (in the case of a quoted company) on those accounts and the auditable part of the directors' remuneration report.".

(5) In Article 246(4A)(**10**), for "a company's annual accounts, of the directors' report and of the auditors' report" substitute "the documents mentioned in paragraph (1A)".

(6) In Article 247(1)(**9**) (right to demand copies of accounts and reports), for the words after "without charge", substitute – "with a copy of –

(a) the company's last annual accounts,

(b) the last directors' report,

(**9**) Articles 246 and 247 were inserted into the 1986 Order by Article 12 of the Companies (Northern Ireland) Order 1990 in place of existing Articles of those numbers

(**10**) Article 246(4A) was inserted into the 1986 Order by S.R. 2003 No. 3

(**9**) Articles 246 and 247 were inserted into the 1986 Order by Article 12 of the Companies (Northern Ireland) Order 1990 in place of existing Articles of those numbers