

COMMUNICATION FROM THE COMMISSION
Guidelines on the standardised presentation of the remuneration report
under Directive 2007/36/EC, as amended by Directive (EU) 2017/828 as regards the
encouragement of long-term shareholder engagement

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1 INTRODUCTION

Directive 2007/36/EC of the European Parliament and of the Council of 11 of July 2007 on the exercise of certain rights of shareholders in listed companies, as amended by Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 as regards the encouragement of long-term shareholder engagement ('the Directive') requires in its Article 9b that companies (which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State¹) draw up a clear and understandable remuneration report ('the Report'), providing a comprehensive overview of the remuneration of their directors. According to the Directive, the report shall include all benefits in whatever form, awarded or due during the most recent financial year to individual directors, including to newly recruited and to former directors, in accordance with the company's remuneration policy.

Article 9b(6) of the Directive gives a mandate to the Commission to adopt guidelines to specify the standardised presentation of the Report with a view to ensuring harmonisation in this regard.

¹ See Article 1(1) of the Directive.

When preparing these guidelines, the Commission has consulted stakeholders both through the Commission Expert Group on Technical Aspects of Corporate Governance Processes and thereafter convening the Member States in a meeting of the Company Law Expert Group, in compliance with Recital 49 of the Directive (EU) 2017/828.

Important

This communication, made pursuant to paragraph 6 of Article 9b of the Directive, provides non-binding guidelines, and does not create new legal obligations. To the extent that this Communication may interpret Directive 2017/828/EU, the Commission's position is without prejudice to any interpretation of this Directive that may be given by the Court of Justice of the European Union. Companies using these guidelines are also subject to the legal requirements of the applicable national laws transposing Directive 2017/828/EU and may also rely on complementary national corporate governance frameworks.

2 PURPOSE

The aim of these non-binding guidelines is to help companies disclose clear, understandable, comprehensive and comparable information on individual directors' remuneration which meets the requirements of the Directive.

As regards comprehensiveness and comparability, the guidelines aim to address different practices in Member States that provide an uneven level of transparency and protection of the interests of shareholders and investors, in particular in the case of cross-border investments. The result of this divergence of practices is that investors face difficulties and costs when they want to understand and monitor the implementation of a company's remuneration policy and engage with the company on that specific issue. Furthermore, better comparability and standardised presentation is also beneficial for other stakeholders, such as employees or those affected by the company's operations. The guidelines also aim to recognise and respect the diversity of corporate governance systems, which reflect Member States' different legal frameworks as regards, among others, the roles of corporate bodies responsible for the determination and supervision on the remuneration of directors.

The intent of the guidelines is to provide balanced and flexible guidance on reporting on the individual directors' remuneration in order to enable, not only shareholders, but also potential investors and stakeholders, to assess directors' remuneration, to what extent that remuneration is linked to the performance of the company and how the company implements its remuneration policy in practice. The guidelines aim to take into account comprehensively the interests of shareholders, potential investors, other stakeholders and different companies. They do not aim at 'one-size-fits-all' approach. These guidelines are addressed to companies which have their registered office in a Member State and whose shares are admitted to trading on a regulated market situated or operating within a Member State. These companies are

required by the Directive to draw up a remuneration report. However, these non-binding guidelines might also be of interest as a good practice for other companies that disclose such information, including companies which fall outside the scope of the Directive.

3 SCOPE

These guidelines apply to the information required by the Directive to be provided on remuneration of each individual director, including all benefits in whatever form, awarded or due² during the most recent financial year, including also to newly recruited and to former directors, in accordance with the remuneration policy referred to in Article 9a of the Directive.

As specified in paragraph (i), Article 2 of the Directive, the definition of “director” includes (i) any member of the administrative, management or supervisory bodies of a company, (ii) where they are not members of the administrative, management or supervisory bodies of a company, the chief executive officer and, if such function exists in a company, the deputy chief executive officer, and (iii) where so determined by a Member State, other persons who perform functions similar to those performed under point (i) or (ii).

These guidelines do not contain guidance for the establishment of the remuneration policy regulated under Article 9a of the Directive, whose key elements may however be mentioned by cross-reference in the remuneration report, where appropriate.

4 KEY PRINCIPLES

1. *Annual reporting*: In line with paragraph 1 of Article 9b of the Directive, companies are required to provide the Report annually to explain how the remuneration policy has been implemented in the most recent financial year under review.
2. *Structure and order of presentation*: The Report should be set up following the structure and order of presentation in sections 5.1 – 5.8 of these guidelines. If there is nothing to report for a specific section, table or data field, such elements can be omitted from the Report. However, companies are encouraged to explicitly state that they have nothing to report under a certain section or data field.
3. *Contents*: The Report should be clear, concise, meaningful and understandable. This should be taken into account also when companies assess the need to include in their Report additional information not explicitly required in the Directive.

² “Awarded or due” benefits: subject to possible future Court interpretation, this notion refers to all benefits actually paid or assigned, but also to those decided to be given or paid, or owed to the directors during the financial year, ie. where the director has fulfilled the conditions to earn the right for future payment or allocation but where such payment or allocation has not materialised during the reported financial year.

Where companies have flexibility regarding the methodology used, they should be transparent on the methodology applied and maintain consistency over the reported financial years. Where the methodology has been changed compared with a previous report, a note would be helpful to explain the change and the effect of this change.

4. *Cross references*: The Report should be self-standing and contain all the necessary information in one place. Nonetheless, besides the information regarding the remuneration awarded or due during the reported financial year, the Report could also include relevant background information via cross-references to published information, when appropriate, in order to avoid unnecessary duplications.

Such cross-references should be made with hyperlinks to sources that are immediately available, free of charge and that allow a search function. These other sources could for example be the remuneration policy, annual financial statements, management report or corporate governance statement, if necessary.

5. *Reporting on amounts*: All the monetary amounts in the Report should be presented gross.
6. *Narrative information*: In addition to numeric information, tables or graphics, narrative information may be meaningful to explain and provide context for the users of the Report. To this end, narratives are encouraged where they facilitate the understanding of the reported information (e.g. on how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company), and to inform on how the performance criteria were applied.
7. *Executive/Non-executive directors*: Differing remuneration arrangements can apply to executive and non-executive directors, members of administrative, management or supervisory bodies and chief executive or other officers. Where the Directive so requires and the guidance is to present information for ‘directors’, such information should cover all directors. To the extent applicable, this information should be provided in a manner which allows to distinguish between directors with different functions (for example executive/nonexecutive or supervisory board member, CEO, CFO, etc.).
8. *Confidentiality*: Companies should aim at providing sufficient insight to enable the readers of the Report to understand the link between the remuneration awarded or due and performance achieved. The Directive specifies that transparency requirements are not intended to require companies to disclose to the public certain specific pieces of information the disclosure of which would be seriously prejudicial to their business position³. To this end, the applicable national law on the company may contain further provisions or rules on such information. Where information to be disclosed would be of such nature, it does not need to be detailed in the Report. Companies should carefully consider whether certain disclosures would be seriously prejudicial to business position and take this into account in their Report.

³ See Recital 45 of the Directive (EU) 2017/828.

When companies find it meaningful, *ex post* disclosure of performance targets could be provided to help establishing the link between the remuneration of directors and the performance of the company.

Besides the specific situations that relate to the omission of information which is seriously prejudicial to the business position of the company, it is recalled that companies must also take into account the applicable data protection requirements as referred to by the Directive with respect to the publication of special categories of personal data within the meaning of Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council or personal data which refer to the family situation of the individual directors.⁴

9. *Credit institutions and investment firms*: institutions defined in point 3 of Article 4(1)(3) of Regulation (EU) 575/2013, which are subject to the Directive 2013/36/EU⁵, should also apply the Remuneration Guidelines by European Banking Authority ('EBA')⁶.

5 STANDARDISED PRESENTATION

5.1 Introduction

1. In order to place the reported remuneration into context, the readers of the Report will need relevant background information about the general performance and events of the company under the reported financial year. For the said purpose, the Report should start with an introduction providing a general overview of the last financial year.
2. The introduction should start with a brief *highlights summary*. The highlights summary should include the key elements regarding the remuneration for the reported financial year, such as any key events in the company's business environment affecting the directors' remuneration and the key changes in the composition of directors, in the remuneration policy or in its application, compared to the preceding reported financial year. If there has been any deviation or derogation from the remuneration policy (see section 5.6) during the reported financial year, it should be mentioned in the highlights summary.
3. The highlights summary should be followed by a more comprehensive overview where the company can present further and more detailed information about the most relevant facts and developments in the performance and business environment as well as the major

⁴ See, in particular, Article 9b, paragraphs 2, 3 and 5 of the Directive and Recitals 36, 37, 40 and 41 of the amending Directive (EU) 2017/828.

⁵ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

⁶ Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.

Table 1 BIS - Remuneration of Directors for the reported financial year from undertakings of the same group

Name of Director, position	1 Fixed remuneration			2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total Remuneration	6 Proportion of fixed and variable remuneration
	Base salary	Fees	Fringe benefits	One-year variable	Multi-year variable				
XXX	Reported financial year								
	Year-1								
YYY									
ZZZ									

5. Explanatory notes regarding Table 1 and Table 1 BIS:

General

For each director, the data on the upper row should summarize the remuneration of the reported financial year and the data on the row below should be consistent with the respective data provided in the Report for the previous financial year. If this is not the case, a note should be added to describe the change in methodology.

According to the information required in point (c), paragraph 1 of Article 9b of the Directive, Table 1 shall, where applicable, include any remuneration coming from any undertaking belonging to the same group of companies. Therefore, in case any amount of remuneration originates from any undertaking belonging to the same group of the reporting company, this should be reflected in the total remuneration of all individual directors in Table 1, and be presented by adding also a separate Table (Table 1 BIS) and/or in a note giving further explanation of the amount and the basis on which it has been awarded or due for each element and undertaking thereof.

Name of director, position

For each director presented in the table, the name and an indication of the position of the director should be provided (e.g. executive (CEO), executive (CFO), executive (COO), executive (CRDO), executive (CLO), non-executive (Chairman of the board), non-executive, (Chairman of the remuneration committee), non-executive (Member of the Audit Committee)). If necessary, a further description of the positions may be provided in a note to the relevant row.

If the service of a director has not continued for the full reported year, the beginning or end date for the commencement or termination of the assignment should be included in a note to the relevant row.

1 Fixed Remuneration

Base Salary: This column should include the fixed base salary paid or due to the director, in exchange for professional services to serve their mandate in respect to the reported financial year.

Fees: This column should include all fees paid or due to the director for the participation in the administrative, management or supervisory bodies of the company. With respect to such fees, additional information may be provided to present their fixed rates in a manner that links them back to the relevant provisions in the remuneration policy.

Fringe benefits: This column should include the value of any benefits and perquisites awarded or due to the director in respect to the reported financial year, such as travel, medical, company car, education or training, residence, security and other benefits 'in natura'. The nature of benefits and perquisites should be explained in a note to the relevant row.

2 Variable Remuneration

One-year variable: This column should include the total value of annual bonus of any form (e.g. in cash, shares or other) awarded or due to the director in respect to the reported financial year as a result of the fulfilment of the predetermined performance criteria, where the time span does not exceed one year. If the amount reported includes other than cash and/or several types of bonuses or other remuneration, a note should be included to describe their type and value.

Multi-year variable: This column should include the total monetary value of any variable components of remuneration awarded or due to the director during the reported financial year as a result of the fulfilment of a predetermined performance criteria, where the time span of the relevant performance criteria exceeds one year. The amounts reported under this column should include all forms of remuneration, such as cash and share-based remuneration.

If the amount reported includes other than cash and/or several types of bonuses, a note should be included to describe their type and portion.

The amount of share-based remuneration reported in this column should be equal to the sum of the amount reported in Table 2 (Share options) column and Table 3 (Share awards) column.

3 Extraordinary items

This column should include any other non-recurring remuneration awarded or due to a director in respect to the reported financial year, whether in cash or in other form, such as a sign-on fee, retention bonus, redundancy payment, compensation for relocation and indemnity for non-competition or severance payments.

4 Pension expense

This column should include the contributions that took place under the reported financial year to finance a fund for future pension pay-out for the director. It should include both fixed pension contributions and those that are variable or conditional upon the fulfilment of certain performance criteria. A note to the relevant row should be added to describe the type of the pension arrangement presented. Where applicable, the note should also explain what part of the pension contribution under the reported financial year relates to financing

of a mandatory or statutory pension. If necessary, a cross-reference can also be made to where further information on the pension arrangement can be found.

Especially, if the pension arrangement is so called 'defined-benefit' (i.e. provides a specific pension payment rather than is based on investment returns), this should be stated in the note.

5 Total remuneration

This refers to the total value of remuneration awarded or due to the Director regarding the reported financial year. The amount should be equal to the sum of the columns 1, 2, 3 and 4.

6 Proportion of fixed and variable remuneration

This column should present the respective relative proportions both of fixed and variable remuneration in the reported financial year. The relative proportion of fixed remuneration could be counted by dividing the sum of fixed components (i.e. Column 1 and the fixed part of the pension expense presented in Column 4) by the amount of total remuneration (i.e. Column 5), multiplied by 100%. Respectively, the relative proportion of variable remuneration could be calculated by dividing the sum of the variable components (i.e. Column 2, the extraordinary items in Column 3 and the variable part of the pension expense in Column 4, if any) by the amount of total remuneration, multiplied by 100%. The outcome of the aforementioned calculations should be presented in the column as a ratio between xx % / yy %.

5.3 Share-based remuneration

1. In line with point (d), paragraph 1 of Article 9b of the Directive, where applicable, the Report shall contain information on the number of shares and share options granted or offered to directors, and the main conditions for the exercise of the rights including the exercise price and date and any change thereof. This is relevant information in assessing whether these awards are linked to long-term financial performance of the company, how the share-based remuneration is set-up and awarded and how it complies with the published remuneration policy. Companies should present the information relating to share-based remuneration following the example of format of Tables 2 and 3.
2. Besides the directors who have performed their mandate during the reported financial year, Tables 2 and 3 should provide information of former directors to the extent that events relating to share-based remuneration and included in the tables have taken place during the reported financial year.
3. Share related instruments other than shares or share options such as 'phantom stock', stock appreciation rights and warrants should also be disclosed.
4. With regard to the valuation method of share based remuneration, for the sake of harmonisation it is recommended to use a common method to determine the value of this type of remuneration corresponding to the reported year in which the shares or share

options are granted or offered, such as the market value of shares or underlying shares in the case of share options both at the time they are awarded and at the time of vesting. This information should also be included in the tables. Additionally, companies may want to report as well the value of these instruments according to the International Financial Reporting Standards (IFRS) methodology, either in narrative or in extra columns in tables.

The tables include the key elements and events throughout the reported financial year regarding the share-based remuneration plans. The terms and features of the share option plans that are not presented in the table should be included in a note to the relevant row or through a specific cross-reference to their description in the remuneration policy.

Table 2 - Share options awarded or due to the Directors for the reported financial year

Name of Director, position	The main conditions of share option plans							Information regarding the reported financial year						
	1 Specification of plan	2 Performance period	3 Award date	4 Vesting Date	5 End of holding period	6 Exercise period	7 Strike price of the share	Opening balance	During the year		Closing balance			
								8 Share options awarded at the beginning of the year	9 Share options awarded	10 Share options vested	11 Share options subject to a performance condition	12 Share options awarded and unvested	13 Share options subject to a holding period	
XXX	Plan 1													
	Plan 2													
	Plan 3													
								TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL

Table 3 - Shares awarded or due to the Directors for the reported financial year

Name of Director, position	The main conditions of share award plans					Information regarding the reported financial year						
	1 Specification of plan	2 Performance period	3 Award date	4 Vesting Date	5 End of holding period	Opening balance	During the year		Closing balance			
						6 Shares awarded at the beginning of the year	7 Shares awarded	8 Shares vested	9 Shares subject to a performance condition	10 Shares awarded and unvested at year end	11 Shares subject to a holding period	
NN	Plan 1											
	Plan 2											
	Plan 3											
							TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL

4. Explanatory notes regarding Tables 2 and 3:

General:

The aim of Tables 2 and 3 is to depict the remuneration granted, respectively, as share options and shares awards.

When the company uses other alike instruments to share options such as stock appreciation rights and warrants, for the remuneration of directors, Table 2 should be used to the extent applicable to present the amounts and key terms of such instruments.

When the company uses other alike instruments, such as 'phantom stock', for the remuneration of directors, Table 3 should be used to the extent applicable to present the amounts and key terms of such instruments

Name of director, position:

See the respective note to Table 1.

The main conditions of share option plans and share awards plans:

Specification of plan: This column should specify respectively each share option plan or share award plan in a way that allows identification of those plans.

Performance period: This column should present the beginning and end of performance period(s) (dd/mm/yyyy-dd/mm/yyyy) in consistency with the terms of the applicable respective share option plan or share plan.

Award date: In this column, award date(s) (dd/mm/yyyy) for each share option plan or share plan should be presented in its (their) own row in consistency with the terms of the applicable plan.

Vesting date: This column should present the vesting date(s) (dd/mm/yyyy) relating to every issuance of awarded share options or awarded shares in consistency with the terms of the applicable plan.

End of holding period: Where applicable, this column should present the end date(s) (dd/mm/yyyy) of the holding period relating to every issue of awarded and vested share options or shares in consistency with terms of the applicable plan.

Exercise period: In Table 2, this column should present the exercise period(s) (dd/mm/yyyy-dd/mm/yyyy) relating to every issue of awarded share options in consistency with the terms of the applicable plan.

Strike price of the share: In Table 2, this column should present the strike prices of the shares that each respective issuance of share options entitle to in consistency with the terms of the applicable plan.

Information regarding the reported financial year:

Opening balance:

Share options or shares held at the beginning of the year: This column should present the number of share options or shares held at the beginning of the reported financial year.

During the year:

Share options or shares awarded: This column should present in the respective Table the number of share options and market value of the underlying shares, and the number and market value of the shares that have been awarded on the award date (as presented in column 3) under each applicable share option plan or share award plan during the reported financial year.

Share options or shares vested: This column should present the number of share options and market value of the underlying shares, and the number and market value of the shares that have been vested on a vesting date (as presented in column 4) under each applicable share option plan during the reported financial year.

Closing balance:

Share options or shares subject to a performance condition: Where applicable, this column should present the number of share options or shares, the award of which is still subject to a performance condition.

Share options or shares awarded and unvested: This column should present the number of share options or shares that have been awarded on an award date (as presented in column 3) during the reported or previous financial years and the vesting date (as presented in column 4) has not yet taken place at the end of the reported financial year.

Share options or shares subject to a holding period: This columns should present the number of share options or shares, the award and vesting dates (as presented in columns 3 and 4) of which have taken place before the end of the reported financial year, but which are still subject to a holding period (end of which is to be presented in column 5).

5.4 Any use of the right to reclaim

1. According to point (e), paragraph 1 of Article 9b of the Directive, companies are required to provide detailed information on the use of the possibility to reclaim variable remuneration (during the reported financial year). A possibility to reclaim variable remuneration usually takes the form of '*malus*' (i.e. cases where the company reduces the value of all or part of deferred unvested variable remuneration based on 'ex post' risk adjustments) or '*clawback*' (i.e. cases where a director has to return , to the company an amount of variable remuneration received or vested in the past).
2. If variable remuneration has been reclaimed, the report should include the following information:
 - the name of the director subject to the reclaim;
 - the amount reclaimed;

- the relevant year (i.e. the financial year in which the variable remuneration was awarded or due).

5.5 Information on how the remuneration complies with the remuneration policy and how performance criteria were applied

1. According to point (a), paragraph 1 of Article 9b of the Directive, the Report shall contain an explanation on how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company, and information on how the performance criteria were applied. Providing such information both numeric and in a narrative would contribute to better explaining how the remuneration for the reported financial year complies with the adopted remuneration policy and with the long-term performance of the company.
2. With regard to long-term performance, the Report should explain how the remuneration during the reported financial year has complied with the remuneration policy and contributed to the (specified) long-term interests and the sustainability of the company.
3. Where applicable, companies should present for each director a description of the financial and non-financial (including, where appropriate, corporate social responsibility) performance criteria as included in the remuneration policy⁷ for the different elements of the remuneration, the performance achieved over the reported financial year and the outcome of the award resulting from each criterion. To the extent applicable, the description of the performance criteria should include the predetermined targets or objectives, and should include both the minimum and the maximum award under each criterion, a description on how the award is calculated as well as the relative weighting of the performance criteria in the total variable remuneration.
4. The information on performance criteria and its application should in principle be provided following the format example of Table 4. However, where the nature and/or complexity of the applicable criteria are difficult to capture in a table format, information as a narrative or a combination of table-based and narrative information may be more meaningful. In any case, the presentation of the outcome should include the actual measured performance, the value of the respective award as regards each individual director and applicable criteria and, where appropriate, how (upward or downward) discretion has been exercised in respect of the award. Furthermore, it could also include information regarding the previous financial year. The information should be provided in a way that allows to distinguish between one-year and multi-year incentives.

⁷ See Article 9a (6) of the Directive.

Table 4 - Performance of Directors in the reported financial year					
Name of director, position	1 Description of the performance criteria and type of applicable remuneration	2 Relative weighting of the performance criteria	3 Information on Performance Targets		4 a) Measured performance and b) actual award outcome
			a) Minimum target/threshold performance and b) corresponding award	a) Maximum/target performance and b) corresponding award	
XXX	Criterion A		a)	a)	a)
			b)	b)	b)
	Criterion B				
	Criterion C				
YYY	Criterion A				
	Criterion B				
	Criterion C				

5. Explanatory notes regarding Table 4:

Name of director, position:

See the respective note to Table 1.

1. Description of the performance criteria and type of applicable remuneration

This column should present each applicable financial and non-financial performance criteria specified in the remuneration policy, as well as the corresponding type of applicable remuneration for each criterion. Where, in exceptional cases, other performance criterion was applied, this should be disclosed in a separate row in the table together with a note referring to the reasons concerning derogations and deviations from the remuneration policy and exceptional circumstances.

2. Relative weighting:

Where applicable, this column should present the relative weightings of each performance criterion from all the applicable performance criteria, expressed as a percentage of the total of all performance criteria. The total of this column should add up to be 100% for each director.

3. Range of performance criteria:

This section of the table should in two columns present, on the upper row (a), the minimum and, where applicable, the maximum measure regarding each performance criterion and on the row below (b), their corresponding awards. To the extent applicable

and if not covered under column 1, a note should be added to present the possible thresholds or scale of each performance criterion.

If a performance criterion does not have a maximum, the data field for maximum performance should be filled as 'not applicable' (N/A) and a note should be inserted to describe how the award is determined on the basis of the criterion.

4. Measured performance and actual award outcome:

This column should reflect the outcome of the evaluation of performance. On the upper row (a), it presents the measured performance for the financial year reported regarding the performance criterion and on the row below (b), the actual amount awarded.

Where any (upward or downward) discretion has been exercised in respect of the award, a note to the table would help by explaining how the discretion was exercised, which factors were taken into account and how the resulting level of award was determined.

5.6 Derogations and deviations from the remuneration policy and from the procedure for its implementation

1. In line with point (f) of paragraph 1 of Article 9b of the Directive, where applicable, companies are required to provide information on any deviations from the procedure for the implementation of the remuneration policy and on any derogations from the remuneration policy itself that have been applied, including the explanation of the nature of the exceptional circumstances and the indication of the specific elements derogated from. As regards this section of the Report, it should be noted that the provision of the Directive (paragraph 4 of Article 9a) that relates to derogations from the remuneration policy is an option for Member States and the possibility to temporarily derogate from the remuneration policy requires that the policy includes both the procedural conditions under which the derogation can be applied and the specific elements of the policy from which a derogation is possible.
2. If a company has applied any derogations in accordance with paragraph 4 of Article 9a, it should provide detailed information on such deviation or derogation, including, in particular:
 - (i) an indication of the specific elements deviated or derogated from and a confirmation that the remuneration policy allows these elements to be deviated or derogated from;
 - (ii) an explanation of the nature of the exceptional circumstances including an explanation on why the deviation or derogation is necessary to serve the long-term interest and sustainability of the company as a whole or to assure its viability;

(iii) information on the procedure followed and a confirmation that this procedure complies with the procedural conditions that are specified in the policy for these exceptional circumstances.

Member States' rules implementing the Directive may determine which circumstances can be considered exceptional, which in turn may result in deviations from the remuneration policy.

3. If a company has deviated in accordance with paragraph 6 of Article 9a of the Directive from the procedure for the implementation of the remuneration policy, it should provide detailed information on such deviation, including, in particular an explanation for the reasons and the circumstances for this deviation, and the procedure followed instead of the prescribed one to achieve the targets included in the remuneration policy.

5.7 Comparative information on the change of remuneration and company performance

1. In line with point (b), paragraph 1 of Article 9b of the Directive, the Report shall contain information on the annual change of remuneration of each individual director, of the performance of the company and of average remuneration on a full-time equivalent basis of employees of the company other than directors over at least the five most recent financial years. According to the Directive, the said information is to be presented together in a manner which permits comparison. To this end, the company should include in its remuneration report information in the format of Table 5.

Annual change	RFY-4 vs RFY-5	RFY-3 vs RFY-4	RFY-2 vs RFY-3	RFY-1 vs RFY-2	RFY vs RFY-1	Information regarding the RFY
Director's remuneration						
Name of director, position						
Name of director, position						
Name of director, position						
Company performance						
Financial metric A						
Financial metric B						
Non-financial metric C						
Average remuneration on a full-time equivalent basis of employees						
Employees of the company						
Employees of the group						

2. Explanatory notes regarding Table 5:

Annual change: The columns RFY vs. RFY-1, RFY-1 vs. RFY-2 etc. represent the preceding financial years over which the comparative information in the table should be provided. In order to ensure a meaningful comparison to the previous years reported,

information regarding the reported financial year should be included in the far right column of the respective row.

The annual change may be presented either as percentages or, if more informative and meaningful for the reader, as absolute numbers. Both approaches have their advantages. Hence, it is recommended that companies include the information in both ways. In any event, companies should provide the information for all individual directors in a consistent manner.

Director's remuneration: This section of the table should provide information about all the directors who performed their mandate under the reported financial year. For calculating the annual change of remuneration for a director whose mandate began or ended during the reported financial year, the respective remuneration should be annualised to allow a meaningful comparison.

The amounts to be compared are the total amounts of remuneration presented in column 5 of Table 1. If the company finds it meaningful for the reader, it may also present in this section of the table the annual changes of the fixed and variable components of each individual director's remuneration and/or the average remuneration of all directors by adding respective rows. Where the company discloses information on the annual changes of the average remuneration, it is recommended to do it in a way that allows the assessment of the average pay of different positions of directors (e.g. by differentiating between executive and non-executive directors).

Company performance: In this section of the table, companies should present information on the annual change of their performance during the five most recent financial years. This information should relate to the net profit or loss for the financial year, and could in addition also relate to other performance. If the company revises its performance criteria or measurement, a note should be included to explain the new methodology and the reasons justifying the change.

Average remuneration on a full-time equivalent basis of employees of the company other than directors: Consistently with the wording of point (b) of the first paragraph under Article 9b of the Directive, companies should present information on the annual change of average remuneration on a full-time equivalent basis of employees of the company other than directors regarding the respective financial years.

On this row, the companies should provide numeric information including all the employees of the 'company' (i.e. the reporting company). Additionally, where companies consider it appropriate or more meaningful or informative, they may also provide numeric information including the employees of the entire group of companies, on a consolidated basis. This information could be relevant when the performance of the company is also presented by metrics that take into account the performance of the entire group.

5.8 Information on shareholder vote

1. According to paragraph 4 of Article 9b of the Directive, companies are required to explain in the Report how the advisory vote⁸ on the previous remuneration report adopted by the last general meeting has been taken into account.
2. However, for small and medium-sized companies Member States may have allowed under the Directive that the remuneration report was only discussed as a separate item of the agenda and not voted upon. In such cases, the company should explain in the following remuneration report in what manner the discussion in the general meeting was taken into account, in line with the second sub-paragraph of paragraph 4 of Article 9b.

6 TRANSITIONAL REGIME - FIRST REPORTING YEARS

In line with the Directive, these guidelines require certain information to be included in the remuneration Report with respect to previous financial years.

In the first financial years for which the reporting obligation exists, it may be that the company does not have readily available the required information for the previous financial years. In such cases, unless otherwise required by national law, the company may want to provide such information on previous financial years by way of estimates, clearly indicating this by way of a note, or omit the information for the financial years where the reporting obligation did not yet apply.

⁸ See Article 14 of the Directive on voting results.