

**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**

***Table of contents***

1. Introduction
2. Purpose
3. Scope of application
4. Addressees
5. Key principles
6. Standardised presentation
  - 6.1. Introduction
  - 6.2. Total remuneration for directors
  - 6.3. Share-based remuneration
  - 6.4. Use of the possibility to reclaim variable remuneration
  - 6.5. Information on how the remuneration complies with the remuneration policy and how performance criteria were applied
  - 6.6. Derogations from the remuneration policy and deviations from the procedure for its implementation
  - 6.7. Comparative information on the change of remuneration and company performance
  - 6.8. Information on shareholder vote
7. Date of application
8. Transitional regime (first reporting years)

## **1 INTRODUCTION**

Directive 2007/36/EC of the European Parliament and of the Council of 11 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 State<sup>1</sup>) 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.

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<sup>1</sup> See Article 1(1) of the Directive.

Article 9b(6) of the Directive gives a mandate to the Commission to adopt guidelines to specify the standardised presentation of the Report, in order to ensure more comparability and consistency in this regard<sup>2</sup>.

***Important notice***

This communication, issued 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 legislation transposing Directive 2017/828/EU and may also rely on complementary EU-based or national corporate governance codes or frameworks. This document does not constitute a technical standard.

**2 PURPOSE**

The aim of these non-binding guidelines is to help companies disclose clear, understandable, comprehensive, consistent and comparable information on individual directors' remuneration. This is required by the Directive, in order to increase corporate transparency and the accountability of directors, and to allow shareholders, potential investors and stakeholders to assess directors' remuneration, the extent to which their remuneration is linked to the performance of the company, and how the company implements its remuneration policy in practice<sup>3</sup>.

The guidelines aim to improve comprehensiveness and comparability by addressing differences in practices between Member States that lead to 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 shareholders and 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<sup>4</sup>. Furthermore, better comparability and standardised presentation may also be beneficial for other stakeholders, such as employees or those affected by the company's operations.

The guidelines also aim to respect the diversity of corporate governance systems, which reflect differences in Member States' legal frameworks, as regards, for example, the different role(s) of corporate bodies responsible for determining and supervising directors'

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<sup>2</sup> See Recital 49 of the Directive (EU) 2017/828.

<sup>3</sup> See Recitals 31, 33 and 34 of the Directive (EU) 2017/828.

<sup>4</sup> See Recital 49 of the Directive (EU) 2017/828.

remuneration, and the different types of directors' remuneration arrangements according to their functions (e.g. executive vs. non-executive).

The purpose of these guidelines is to provide balanced and flexible guidance on reporting on individual directors' remuneration.

### **3 SCOPE OF APPLICATION**

The 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 due 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<sup>5</sup>.

As specified in paragraph (i) of 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).

The guidelines do not contain guidance on how a remuneration policy should be established or developed, as regulated under Article 9a of the Directive. Aspects of the remuneration policy may, however, be mentioned explicitly or by cross-reference in the remuneration report, where appropriate.

### **4 ADDRESSEES**

These guidelines are particularly addressed to companies which fall under the scope of the Directive, i.e. companies that 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<sup>6</sup>. These companies are required to draw up a remuneration report ('the Report') pursuant to Article 9b of the Directive.

The Guidelines also apply to credit institutions, investment firms and institutions<sup>7</sup> or other specific types of companies falling under the scope of the Directive, without prejudice to the Guidelines on sound remuneration policies adopted by European Banking Authority ('EBA') or to any other sector-specific guidelines, frameworks or *lex specialis* applicable to them, the Guidelines being then subject to the corresponding adaptation to avoid contradictions with the sector-specific applicable rules.

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<sup>5</sup> See Article 9b.1 of the Directive.

<sup>6</sup> See Article 1.1 of the Directive.

<sup>7</sup> As respectively defined in points 1, 2 and 3 of Article 4(1) of Regulation (EU) 575/2013.

## 5 KEY PRINCIPLES

1. *Annual reporting*: Pursuant to paragraph 1 of Article 9b of the Directive, companies are required to produce the Report annually to explain how their remuneration policy has been implemented in the most recent financial year under review.
2. *Standardised presentation of the Report*: In order to ensure that the Report is comprehensive and comparable across the European Union, it should be structured and presented as recommended in sections 6.1-6.8. If there is nothing to report for a section, table or data field, such parts can be omitted in the Report adapting it accordingly to the particular specificities of the company and the applicable corporate governance system, with the corresponding explanation if that is the case.
3. *Comprehensive, clear and understandable content*: The Report should provide a comprehensive overview of all the remuneration awarded or due during the reported financial year, and should include all other information required by the Directive. It should be clear, concise, meaningful and understandable. This principle should be borne in mind by companies when deciding whether to include in their Report additional information not explicitly required by the Directive.
4. *Cross-references*: The Report should be a stand-alone document and contain all the necessary information in one place. Nonetheless, in addition to the information regarding the remuneration awarded or due during the reported financial year and other information required by the Directive, the Report could also make cross-references to relevant background information published elsewhere, where appropriate, in order to avoid unnecessary duplications.

If companies make use of such cross-references, they should include in the Report hyperlinks to sources that are immediately available online and free of charge, as must be the case for the Report itself<sup>8</sup>. These other sources could be, for example, the company's remuneration policy, annual financial statements, management report, including sustainability information<sup>9</sup> or corporate governance statement.

5. *Reporting on amounts*: All monetary amounts in the Report should be presented as gross figures, including the taxes borne by the directors for their remuneration but not those taxes or contributions borne by the company for that reason, if any.
6. *Narrative information*: In addition to numeric information, tables or graphics, it may be helpful to include narrative information to explain numbers and provide context for the users of the Report. Narrative explanation is therefore encouraged if it will make the reported information easier to understand (e.g. explaining complex elements of the directors' remuneration or how the total remuneration complies with the remuneration

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<sup>8</sup> See Article 9b paragraph 5 of the Directive.

<sup>9</sup> The term 'sustainability information' is used instead of 'non-financial information' as a more accurate one, according to Recital 7 of the recently adopted Corporate Sustainability Reporting Directive [reference].

policy adopted by the company, including how it contributes to the long-term performance of the company), and to provide information as to how the performance criteria were applied.

7. *Different types of directors and their remuneration:* Different remuneration arrangements can apply to members of administrative, management or supervisory bodies and chief executive officers or other kind of directors of a company<sup>10</sup>. Where this guidance makes reference to information on the remuneration of ‘directors’, this should be interpreted as covering all directors for which the information in question is required by the Directive. To the extent applicable, this information should be provided in a manner which allows the reader to distinguish between: i) directors with different functions (for example, executive or managing directors, non-executive or supervisory directors, CEO, CFO, etc.); ii) the remuneration of executive directors for their performance as such for executing their mandate as directors according to the company’s structure or organisation rules or under a specific contract with the company to perform that role<sup>11</sup>; iii) the remuneration corresponding to directors in different situations (e.g. retired/active directors); iv) and remuneration of directors in relation to their role(s) in the reporting company, and, if that is the case, in relation to their role(s) in other companies belonging to the same group.
8. *Transparency and confidentiality:* Companies should aim to provide sufficient insight to allow readers of the Report to understand the link between the remuneration awarded or due and the 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 position. Non-disclosure of this type of information should not, however, undermine the objectives of the disclosure requirements as laid down in the Directive<sup>12</sup> (e.g. increasing corporate transparency and the accountability of the directors, as well as better shareholder oversight over directors’ remuneration), nor exempt companies from their obligation to provide information, as required under the Directive, on how the performance criteria were applied in the reported financial year.

In addition to specific situations that relate to the omission of information the disclosure of which would be seriously prejudicial to the business position of the company, companies are also reminded of their obligation to take into account the data protection requirements as referred to in 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<sup>13</sup>. The information on the directors’ name

<sup>10</sup> See the definition of ‘directors’ in paragraph (i), Article 2 of the Directive, referred to also in section 3 of the guidelines (see above).

<sup>11</sup> The remuneration that directors of any kind may be awarded or due as employees of the company on that specific character, if they also have this role, and not as directors, is not to be reported nor disclosed since it does not form part of their remuneration as directors. See below section 6.2.5.1 (Base salary).

<sup>12</sup> See Recital 45 of the Directive (EU) 2017/828.

<sup>13</sup> 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.

and identity and the amount of their remuneration should not, in any case, be considered as personal data for this purpose if it does not include other additional information related to their personal sphere.

## **6 STANDARDISED PRESENTATION**

### **6.1 Introduction**

1. In order to put the reported directors' remuneration into context, its grounds and reasons, readers of the Report will need relevant information about the general performance of the company during the reported financial year and any specific events that occurred. It is therefore recommended that the Report starts with an introduction providing a brief overview of the last reported financial year's main aspects, mentioning the key features of the applicable remuneration policy and its implementation with the corresponding cross-references to the remuneration policy.
2. This introduction could include the main pieces of information that help to put the directors' remuneration during the reported financial year into context, such as any key events in the company's operations, its performance, major decisions, the business environment in which it operates, its prospects and sustainability issues. It could also highlight key changes in the remuneration of directors as such, in the performance criteria or methodology used and in the remuneration policy or in its application, compared to the previous reported financial year.  
A cross-reference to the composition of the relevant labour market and performance peer groups already included in the applicable remuneration policy of the company may also be added.

### **6.2 Total remuneration of directors**

1. Pursuant to points (a) and (c) of paragraph 1 of Article 9b of the Directive, the Report shall contain each individual director's total remuneration split out by component and including any remuneration from any undertaking belonging to the same group as defined in point (11) of Article 2 of Directive 2013/34/EU. Furthermore, pursuant to point (a) of paragraph 1 of Article 9b of the Directive, the Report shall present the relative proportion of fixed and variable remuneration. The aforementioned information should be presented in the format shown in Table 1, adding, where appropriate, horizontal rows specifying the name of the companies or undertakings belonging to the same group, and the remuneration coming from each of them.
2. This section of the Report should include information on the directors' total remuneration, specifying whether each director is executive or non-executive and their exact position/s. Table 1 should be split into two parts, horizontally, with the executive directors listed in the first part and the non-executive directors in the second part, as many of the individual components of the remuneration may not apply to the latter. If appropriate, companies may wish to consider presenting the remuneration of executive and non-executive directors in two separate tables, adapting Table 1 format accordingly, with the information required by it to each kind of directors according to their nature and functions.

The purpose of this section of the Report is to show actual total remuneration of directors during the reported financial year and has been designed so as to avoid double counting or duplication of the same components of remuneration in different financial years' total remuneration tables, particularly with regard to variable remuneration. This type of possible duplication is most likely to occur in relation to annual bonuses and share-based pay, and the relevant sections of explanatory notes to Table 1 explain what should and should not be reported in the total remuneration table in order to avoid that duplication.

3. In addition to the directors who have performed their mandate during all or part of the reported financial year, this section of the Report should also provide information regarding former directors' remuneration awarded or due to them during the reported financial year for their performed services as directors.
4. In order to facilitate comparability with the evolution of the company and its performance, Table 1 may also present in a row the total remuneration regarding each director included in the previous financial year Report (year -1).

Table 1 – Total remuneration of Directors									
Name of Director, Position (start/end)	1 Fixed remuneration			2 Variable remuneration		3 Extraordinary items	4 Pension benefits	5 Total Remuneration	6 Proportion of fixed and variable remuneration
	Base salary	Fees	Other benefits	One-year variable	Multi- year variable				
XXX	Reported financial year								
	(Year-1)								
YYY									
ZZZ									

#### 5. Explanatory notes regarding Table 1:

##### General:

For each director, the data on the upper row should inform about the directors' total remuneration during the reported financial year and the data on the row below (year -1), if included, should be consistent with the respective data provided in the previous financial year remuneration report. In case there has been a change in the methodology applied, a note should be added to describe that change.

According to the information required in point (c), paragraph 1 of Article 9b of the Directive, the Report 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 to it, where appropriate, a horizontal row specifying the name of the remunerating company or undertaking belonging to the same group and the amount of remuneration coming from that undertaking. If there are several undertakings remunerating the directors, the rows referring to the "company or undertaking of the same group", to the "reported financial year", and to, if included, "year-1", would be repeated as many times as necessary to display all undertakings

remunerating the specific director. A note giving further explanation of the amount and the basis on which it has been awarded or due to each director for such elements and undertakings thereof could be also added to make the Report clear and understandable, if necessary.

Name of director, position (start/end):

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 period of a director has not lasted for the full latest financial reported year, the actual start and/or end date for the commencement and/or termination of the assignment should be included in the Table or in a note to the relevant row.

As former directors have to be included in the Report and could have performed more than one function or may have had different positions in the company, it should be also specified in this column of the Table the “name of actual/former director, position/last position”, as well as the actual start and end date of their assignment. It should be highlighted which directors referred to are former directors in order to clearly differentiate them from those that still are performing their assignment and avoid confusions in the comparison.

1 Fixed Remuneration:

Base Salary: This column should include the fixed base salary of the director awarded or due, in exchange for professional services to serve its mandate as a director according to the company’s structure or organisation rules or for any other executive or non-executive director’s services or functions provided during the reported financial year under a specific contract with the company to perform the role of director. This shall not include the salary of the director related to his work as an employee of the company, if the director is also an employee in addition to the directorship.

Fees: This column should include all fees and allowances of the director for the participation in the administrative, management or supervisory bodies of the company meetings during the reported financial year. With respect to such fees and allowances, 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.

Other benefits: This column should include the monetary value of any non-business or non-assignment related benefits in kind or perquisites, such as travel, medical, car,



housing, credit cards or any other benefits in kind or perquisites<sup>14</sup>, the nature of which should be explained in a note to the relevant row.

## 2 Variable Remuneration:

One-year variable remuneration (or short-term incentives): This column should include the total monetary value (and number, where applicable) of annual bonuses of any form. This should include bonuses consisting of cash, shares, phantom stock, warrants, stock appreciation rights and any other form of bonus which was awarded<sup>15</sup> or due in the reported financial year according to the performance (including extraordinary bonuses for specific and one-time performance or event), or which as a result of the fulfilment of the predetermined performance criteria vested<sup>16</sup> during the reported financial year, where the time span does not exceed that financial year. If the amount reported includes types of remuneration 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 remuneration (or long-term incentives): This column should include the total monetary value (and number, where applicable) of any variable components of remuneration awarded or due, or which as a result of the fulfilment of a predetermined performance criteria, where the time span of the relevant performance criteria exceeds one year, were granted or offered in previous years but that vested during the reported financial year. The amounts reported under this column should include all forms of remuneration, such as cash and share-based remuneration including phantom stock, warrants, stock appreciation rights or any other form of remuneration which was awarded or due or which vested during the reported financial year.

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.

However, the information required by the Directive regarding the number of shares and share options (or other variable remuneration) granted or offered during the reported financial year but which are subject to performance conditions not yet fulfilled during the reported financial year and therefore still uncertain, should not be presented under this Table 1 on "total remuneration" but in the corresponding columns or sections of Tables 2 and 3 (see section 6.3 below) regarding share-based remuneration.

The total value of vested shares and share based remuneration reported in the respective columns about one year or multi-year variable remuneration of Table 1 should be the

<sup>14</sup> These would not include any sort of cost reimbursement resulting from fulfilment of the director's duties or tasks (e.g. travel or hotel expenses) nor company assets or goods regularly provided to directors in order to fulfil their duties (e.g. mobile phone, tablet, laptop).

<sup>15</sup> 'Award' means the granting of variable remuneration for a specific accrual period, independently of the actual point in time where the awarded amount is paid. 'Accrual period' means the period of time for which the performance is assessed and measured for the purposes of determining an award of variable remuneration. See for this and the following definitions the Guidelines on sound remuneration policies under Directive 2013/36/EU, taken as a reference for this purpose.

<sup>16</sup> 'Vesting' means the effect by which the, in this case, director becomes the legal owner of the variable remuneration awarded, independent of the instrument which is used for the payment or if the payment is subject to additional retention periods or clawback arrangements.

same as the corresponding value of the vested components of remuneration reported in Tables 2 and 3 (see section 6.3 below).

### 3 Extraordinary items:

This column should include any other non-recurring remuneration awarded or due, whether in cash or in other form, such as a sign-on fee, retention bonus, redundancy payment, compensation for relocation, indemnity for non-competition, severance and termination payments or benefits. A note should be added specifying which are those extraordinary items included (and indicating whether they are in line with the remuneration policy).

### 4 Pension benefits:

This column should include a total figure of the contributions and provisions that effectively took place during the reported financial year to finance a fund or other pension scheme for future pension pay-out for the director (or the director's heirs). It should include both fixed pension contributions and those that are variable or conditional upon the fulfilment of certain performance criteria. The service cost and the interest cost should be disclosed. A note to the relevant row should be added to describe the type of the pension arrangement presented. If necessary, a cross-reference can be made to where further information on the pension arrangement or schemes can be found (e.g. duration of the pension arrangement or obligations, arrangements for the directors' heirs).

For the purpose of clarity, it could be stated in the note whether the pension arrangement is of the so called 'defined-benefit' nature (i.e. provides a specific pension payment rather than is based on investment returns), or of 'defined-contribution' nature, as well as other characteristics of the pension arrangement, like the calculation of the contribution and/or the underlying formula.

### 5 Total remuneration:

This refers to the total value of the director's remuneration resulting from the sum of the amounts or value indicated in columns 1, 2, 3 and 4 of this Table.

### 6 Proportion of fixed and variable remuneration:

This column should present the relative proportion of fixed and variable remuneration in the reported financial year. The relative proportion of fixed remuneration should be counted by dividing the sum of fixed components (i.e. Column 1, extraordinary items in Column 3 and the fixed part of the pension benefits 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, 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 %.

### 6.3 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 this remuneration is linked to long-term financial performance of the company, how the share-based remuneration is set-up and granted or offered 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, without prejudice of what should be presented in Table 1 on the total remuneration.
2. This section should include information about all share-based remuneration granted or offered in the last financial year or in other way relevant for the last financial year as detailed in Tables 2 and 3 and their explanatory notes, where the remuneration plans should be explained.
3. Besides the directors who have performed their mandate during the reported financial year, Tables 2 and 3 should also provide information of former directors.
4. Share-linked instruments<sup>17</sup> and financial arrangements other than shares or share options such as stock appreciation rights and warrants should also be disclosed in this section.
5. With regard to information on the monetary value of share-based remuneration, this is an information that is necessary to complete the Report in order for the reader to be able to establish the relative proportion between fixed and variable remuneration as required by the Directive<sup>18</sup>, when share-based remuneration is one of the components of the directors' remuneration. Furthermore, this information will also help the reader understand the actual amount of remuneration and the difference between the value of these remuneration components at relevant times of the remuneration process.

For the sake of comparability, companies should use a common method for the valuation of shares or share options (and in all situations, i.e. whether the shares or share options have been granted, offered or have vested). In the interest of transparency, companies are advised to reflect in the Report the market value of shares, or underlying shares in the case of share options, at the time they are granted, are offered, or vest, as applicable. Companies may also wish to consider disclosing the fair value, determined according to IFRS 2 methodology for accounting. Any changes made to the valuation methodology should be mentioned.

According to the Directive, the Report should also contain and make reference to the main conditions for the exercise of the rights of the shares and share options granted or offered, including the exercise price and date and any change thereof.

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<sup>17</sup> 'Share-linked instruments' means those instruments whose value is based on the value of the stock and that have the share value as a reference point, e.g. stock appreciation rights, types of synthetic shares.

<sup>18</sup> See paragraph 1(a) of Article 9b of the Directive.

Tables 2 and 3 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 cross-reference to their description in the remuneration policy.

Table 2 – Remuneration in share options													
Name of Director, Position (start/end)	The main conditions of share option plans							Information regarding the reported financial year					
								Opening balance	During the year		Closing balance		
	1 Specification of plan	2 Performance period	3 Granting/ offering date	4 Vesting Date	5 End of retention period	6 Exercise period	7 Exercise price of the share and date	8 Share options held at the beginning of the year	9 Share options granted/offered	10 Share options vested	11 Share options subject to a performance condition	12 Share options granted/offered and unvested at year end	13 Share options subject to a retention period
XXX	Plan 1												
	Plan 2												
	Plan 3												
								TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL

Table 3 - Remuneration in shares											
Name of Director, Position (start/end)	The main conditions of share award plans					Information regarding the reported financial year					
						Opening balance	During the year		Closing balance		
	1 Specification of plan	2 Performance period	3 Granting/offering date	4 Vesting Date	5 End of retention period	6 Shares held at the beginning of the year	7 Shares granted/offered	8 Shares vested	9 Shares subject to a performance condition	10 Shares granted/offered and unvested at year end	11 Shares subject to a retention period
NN	Plan 1										
	Plan 2										
	Plan 3										
						TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL

## 6. Explanatory notes regarding Tables 2 and 3:

### General:

The aim of Tables 2 and 3 is to depict the remuneration consisting, respectively, of share options and shares granted or offered in the last financial year or in any other way relevant for the director remuneration during the last financial year.

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

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

Name of director, position (start/end):

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 or accrual<sup>19</sup> period: This column should present the beginning and end of performance or accrual period(s) (dd/mm/yyyy-dd/mm/yyyy) in consistency with the terms of the applicable respective share option plan or share plan.

Granting/offering date: In this column, the granting/offering 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 granted or offered share options or shares in accordance with the terms of the applicable plan.

End of retention period<sup>20</sup>: Where applicable, this column should present the end date(s) (dd/mm/yyyy) of the retention period for every issue of granted or offered and vested share options or shares in accordance 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) for every issue of granted or offered share options in accordance with the terms of the applicable plan.

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

Information regarding the reported financial year:

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<sup>19</sup> ‘Accrual period’ means the period of time for which the performance is assessed and measured for the purposes of determining an award or grant of share-based remuneration.

<sup>20</sup> ‘Retention period’ means a period of time after the vesting of shares or share options during which they cannot be sold or accessed.

Opening balance:

Share options or shares held under deferral period<sup>21</sup> and under retention period at the beginning of the year: This column should present the number of share options or shares granted or offered in previous financial years which are held by the directors under deferral period and under retention period at the beginning of the reported financial year.

During the year:

Share options or shares granted or offered: This column should present in the respective Table the number of share options and value of the underlying shares, and the number and value of the shares that have been granted or offered on the granting or offering 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 the value of the underlying shares, and the number and value of the shares that vested on a particular 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 granting of which is still subject to a performance condition.

Share options or shares granted/offered and unvested at year end: This column should present the number of share options or shares that have been granted or offered on a certain date (as presented in column 3) during the reported or previous financial years but for which the vesting date (as presented in column 4) is after the end of the reported financial year.

Share options or shares subject to a retention period: This column should present the number of share options or shares, for which the granting or offering and vesting dates (as presented in columns 3 and 4) are prior to the end of the reported financial year, but which are still subject to a retention period (the end of which is to be presented in column 5).

#### **6.4 Use of the possibility to reclaim variable remuneration**

1. According to point (e), paragraph 1 of Article 9b of the Directive, companies are required to provide information on the use of the possibility to reclaim variable remuneration (during the reported financial year).

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<sup>21</sup> 'Deferral period' means the period between the granting or offering and the vesting of the share-based remuneration during which the director is not the legal owner of this remuneration.

2. If variable remuneration has been reclaimed, the report should include the following information:
  - the name of the director subject to the reclaim;
  - the form of the reclaim<sup>22</sup>;
  - the amount reclaimed;
  - the relevant year (i.e. the financial year in which the variable remuneration was awarded or due).

Additionally, companies could also explain the reasons for such a reclaim.

### **6.5 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. This information should be provided in numeric and, if not possible, in a narrative form, without prejudice of the eventual need of explanatory notes.
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 company's business strategy, long-term interests and sustainability<sup>23</sup>. For instance, the Report could explain how directors' remuneration is consistent with criteria relating to the long-term and sustainable performance of the company, as defined and measured in its own remuneration policy. Where applicable, it could include information about share lock-ins (for example for 5-10 years) and requirements for long-term equity ownership for directors.
3. Companies should present for each director a description of the financial and sustainability performance criteria<sup>24</sup> (such as, where appropriate, environmental, social, human rights criteria) as included in the applicable remuneration policy for the different elements and types of remuneration, the performance achieved over the reported financial year and the outcome of the remuneration resulting from each criterion. To the extent applicable, and according to the remuneration policy (directly and/or by cross-references), unless the disclosure of all or some of which would be seriously prejudicial to the company's business position<sup>25</sup>, the description of the performance criteria could include a description on how the remuneration is calculated as well as the relative weighting of the performance criteria in the total variable remuneration. Additionally, the description of the

<sup>22</sup> A possibility to reclaim variable remuneration could take the form, for instance, of '*malus*' (i.e. an arrangement that permits the company to reduce the value of all or part of deferred variable remuneration based on 'ex post' risk adjustments before it has vested) or '*clawback*' (i.e. an arrangement under which the director has to return ownership of an amount of variable remuneration paid in the past or which has already vested to the company under certain conditions).

<sup>23</sup> According to paragraph 6 of Article 9a of the Directive, the remuneration policy shall contribute to the company's business strategy and long-term interests and sustainability and shall explain how it does so.

<sup>24</sup> See Article 9a (6) of the Directive. See also footnote 9 on the terminology.

<sup>25</sup> See above section 5.7 (Transparency and confidentiality).

performance criteria could also include *ex post* the predetermined performance targets or objectives and both the minimum and the maximum possible remuneration under each performance criterion to help establishing the link between the remuneration of directors and the performance of the company.

4. If a performance criterion relates to the performance of the reporting company vis-à-vis other companies, a cross-reference could also be added to the section of the applicable remuneration policy where these other benchmark companies might be identified, if that is the case, as a peer group and their performance. A cross-reference to the composition of the relevant labour market included in the applicable remuneration policy of the company may also be added.
5. The information on performance criteria and its application should 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 and appropriate. Companies should explain why the use of the recommended table format was not deemed appropriate if they do not use it. In any case, the presentation of the outcome should include the actual measured performance, the value of the respective remuneration as regards each individual director and applicable criteria and, where allowed under the remuneration policy, how (upward or downward) discretion has been exercised in respect of the remuneration. 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.

**Table 4 - Performance of Directors in the reported financial year**

Name of director, position	1 Description of the performance criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 Optional information on Performance Targets		4 a) Measured performance and b) actual remuneration outcome
			a) Minimum target/threshold performance and b) corresponding remuneration	a) Maximum/target performance and b) corresponding remuneration	
XXX	Criterion A		a) b)	a) b)	a) b)
	Criterion B				
	Criterion C				
YYY	Criterion A				
	Criterion B				
	Criterion C				



6. 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 by component

This column should present each applicable financial and sustainability<sup>26</sup> performance criteria as specified in the remuneration policy, as well as the corresponding type of applicable remuneration by component for each criterion, identifying clearly the type of criteria (i.e. financial/sustainability) in the column or by splitting it horizontally in two parts. 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 exceptional circumstances that allow for derogations and deviations from the remuneration policy.

2. Relative weighting of the performance criteria:

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 (optional information on performance targets):

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

4. Measured performance and actual award/remuneration 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 could state that discretion was applied, and if the company considers it meaningful and in accordance with the principle of confidentiality it could also explain how the discretion was exercised, which factors were taken into account and how the resulting level of award or remuneration was determined.

## **6.6 Derogations from the remuneration policy and deviations 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

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<sup>26</sup> See above footnote 9.

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 information on such derogation, including, in particular:

- (i) an indication of the specific elements derogated from and a confirmation that the remuneration policy allows these elements to be derogated from;
- (ii) an explanation of the nature of the exceptional circumstances including an explanation on why the 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;
- (iv) information on the remuneration awarded under such exceptional circumstances<sup>27</sup>.

Member States' rules implementing the Directive may determine which circumstances can be considered exceptional, which in turn may result in derogations 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 information on such deviation, that could include, for instance, 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.

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<sup>27</sup> See Recital 30 of the Directive (EU) 2017/828. This remuneration is to be disclosed, as well, under Table 1 as it is part of the total remuneration, although reference here should be made in order to identify the remuneration awarded under those exceptional circumstances.

## 6.7 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<sup>28</sup>. 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, which could be complemented by graphics.

**Table 5 - Comparative table on the change of remuneration and company performance over the last five reported financial years (RFY)**

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
<b>Director's remuneration</b>						
Name of director, position						
Name of director, position						
Name of director, position						
<b>Company's performance</b>						
Criterion A						
Criterion B						
Criterion C						
<b>Average remuneration on a full-time equivalent basis of employees</b>						
Employees of the company						

2. Explanatory notes regarding Table 5:

Annual change<sup>29</sup>: The columns RFY vs. RFY-1, RFY-1 vs. RFY-2 etc. represent the change in the director's remuneration between the preceding financial years over which the comparative information in the table should be provided.

The annual change should be presented in a percentage change, and in absolute numbers reflecting the difference in the total amount of the remuneration of the director between the remuneration of the two financial years which are compared as included in the Tables 1 of the respective Reports. The information regarding the total remuneration for the last reported financial year should be presented in the last column to allow a proper comparison in the evolution of the remuneration. Companies should provide the information for all individual directors in a consistent manner. If a director resigns or it is removed from his charge before completing a period of five years, the information should adapt to this time period accordingly, reflecting the relevant elements related to the length of his assignment.

<sup>28</sup> See section 8 below on the transitional regime.

<sup>29</sup> See section 8 of these guidelines for the transitional period regime.

Director's remuneration: This section of the table should provide information about all the directors who performed their mandate under the reported financial year, indicating their position in a way that allows differentiating their executive or non-executive role. In case a director started or ended mandate or changed directing position during the reported financial year, a note should be added specifying and explaining these circumstances.

Company's performance: In this section of the table, the reporting company should present information on the annual change of its performance during the five most recent financial years. As the Directive requires the remuneration policy to contribute to the company's business strategy, long-term interests and sustainability<sup>30</sup>, companies should include data that allows the reader to judge whether the actual remuneration fosters long-term and sustainable performance. Companies should disclose, in this regard, the actual performance of their explicitly identified financial and sustainability performance criteria or other key indicators demonstrating the companies' performance under its longer-term strategy and its long-term value creation, such as economic added value, return on invested capital and cash flows. Companies should provide information on the annual change of performance including the companies belonging to the same group as such information is more useful for the readers when the company prepares consolidated financial statements for the entire group.

If the company revises its performance criteria or measurement, a note should be included to explain the change of criteria and methodology and the reasons of 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. A note should be included to explain the methodology of calculating the average remuneration of employees.

On this row, the companies should provide numeric information including all the employees of the 'company' (i.e. the reporting company).

Where the company reports financial and sustainability performance about the entire group on a consolidated basis according to existing legislation, they are encouraged to also provide numeric information including the employees of the entire group of companies (as defined in point (11) of Article 2 of Directive 2013/34/EU), on a consolidated basis, stating this clearly. In addition, and further to the information on all employees, in instances where the reporting company only employs a small proportion of the workforce, it could disclose the average pay of a wider or different employee comparator group in the entire group, if this provides a more representative comparison (e.g. disclosing the average pay of relevant

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<sup>30</sup> See paragraph 6 of Article 9a of the Directive.

groups of employees according to geographical, regional, sectorial or other criteria in the group, to ensure relevant comparison in that respect, explaining and describing the relevant group of employees included).

## **6.8 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 vote<sup>31</sup> 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.

## **7 DATE OF APPLICATION**

These guidelines will apply from [adoption date].

## **8 TRANSITIONAL REGIME - FIRST REPORTING YEARS**

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

In the first financial years for which the reporting obligation exists (i.e. year 2020 and the following), 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 choose to provide such information on previous financial years, clearly indicating this fact by way of a note, or omit the information for the financial years where the reporting obligation did not yet apply.

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<sup>31</sup> See Article 14 of the Directive on voting results.