

For the attn. Maija Laurila  
DG Justice's Head of Company Law Unit  
Rue Montoyer 59  
1000 - Brussels

Brussels, 14 February 2019

**Subject:** EuropeanIssuers contribution to the European Commission's non-binding guidelines on the Remuneration Report

Dear Head of Unit Ms. Maija Laurila,

On behalf of EuropeanIssuers, I am writing to you to express our written contributions on the Commission's non-binding guidelines on the presentation of the remuneration report. As expressed during the Company Law Expert Group meeting of 29 January 2019, EuropeanIssuers members believe that the guidelines on remuneration report disclosure are a great opportunity to compare practices among the Member States, discuss what works best and try to find a common denominator that can work in all markets.

However, companies are already subject to various EU and local rules already requiring reporting on remuneration components, in some cases on individual basis, with different reporting standards. Therefore, we believe that any guidance on the remuneration report should offer flexibility needed to be compliant with various obligations and serve different purposes.

More precisely, we would advocate for the following key principles regarding:

- **The nature of the guidelines:** It should be stated clearly in the introduction that these guidelines are of non-binding nature and that they will no create new legal obligations.
- **Reference to corporate governance codes:** in most Member States, the legal provisions regarding remunerations are supplemented by recommendations in the respective corporate governance codes. The guidelines should give room for requirements stemming from soft law.
- **The overview of the report:** The Report should be comprehensive yet concise, transparent, meaningful and simple. The Report should not be too lengthy or overly complex. In order to avoid contradictions, repetitive tables and duplicated information, the draft guidelines should adopt a more flexible and clearly intelligible approach throughout its entirety.

- **The structure and order of presentation:** the guidelines should allow flexibility for issuers to freely design the structure and order of presentation. As such the verb “should” needs to be replaced by “may”.
- **The tables:** The draft guidelines require too many tables with too much numeric information. In particular, non-executive directors’ remuneration should be presented in separate and simplified table; to provide more clarity, information regarding performance conditions should be presented in the same table together with the description of the component of remuneration subject to such performance conditions.
- **The definitions:** It is important to clarify the notion of “remuneration awarded or due” during the most recent financial year in order to avoid misinterpretation; the same applies for the notion of “paid to or receivable”.
- **Confidentiality:** Guidelines should be useful for disclosing only relevant information and not become detrimental to the business of issuers or put the companies’ ethos in question.
- **Deferred remunerations:** these remunerations commonly used in banks which are paid over several years should not be included in the table for each reported financial year. In order to provide clarity, it is important to report once, in respect of the financial year where this remuneration is due.

For more detailed comments, please consult the Annex attached.

We thank you for your attention and remain at your disposal for further discussion on this topic if needed.

Yours sincerely,



Florence Bindelle  
Secretary General

**Annex**

<b>Commission guidelines including modifications required by issuers (in red)</b>	<b>EuropeanIssuers Comments</b>
<p>Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement ('the Directive') requires companies listed on a regulated market to draw up a clear and understandable remuneration report, providing a comprehensive overview of the remuneration, including 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.</p>	
<p>Article 9b(6) of the Directive gives a mandate to the Commission to adopt guidelines to specify the standardised presentation of the remuneration report ('the Report') in order to ensure that they are presented in a more comparable and consistent manner.</p> <p><b>These guidelines offer a useful tool to companies to present remuneration but do not create new legal obligations. Companies using these guidelines may also rely on EU-based frameworks or national corporate governance codes.</b></p>	<p>The guidelines regarding non-financial information provide for a disclaimer stating that: “This document has been prepared pursuant to Article 2 of Directive 2014/95/EU in order to help companies concerned disclose non-financial information in a relevant, useful, consistent and more comparable manner. <b>This Communication provides non-binding guidelines and does not create new legal obligations.</b> To the extent that this Communication may interpret Directive 2014/95/EU, the Commission's position is without prejudice to any interpretation of this Directive that may be issued by the Court of Justice of the European Union. <b>Companies using these guidelines may also rely on EU-based or national frameworks. This document does not constitute a technical standard,</b> and neither preparers of non-financial statements nor any party, whether acting on behalf on a preparer or otherwise, should claim that non-financial statements are in conformity with this document.”</p> <p>A disclaimer along these lines should be added in the remuneration guidelines.</p>
<p>The Commission has consulted [to be completed].</p>	

Commission guidelines including modifications required by issuers (in red)	EuropeanIssuers Comments
<b>1. PURPOSE</b>	
<p>Today, there is wide variety in the way in which European companies listed on a regulated market disclose information on the remuneration of their directors.</p>	
<p>The result of this divergence of practices is that investors are facing 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. This is in particular the case for cross-border investments. Furthermore, other stakeholders, such as for example employees may also be interested in the remuneration report and a more streamlined and comparable presentation would facilitate easy access to relevant data.</p>	
<p>The aim of these guidelines is to <b>provide some general principles and flexible templates, to</b> help companies disclose clear, understandable and comprehensive information on directors’ remuneration, in a comparable manner, in accordance with the requirements of the Directive <b>taking in due consideration national existing framework, also with the aim to avoid duplication of information which may lead to inconsistent disclosure.</b></p>	<p>This paragraph should be modified in order to state that the templates are flexible and can be adapted according to the national framework.</p>
<b>2. SCOPE</b>	
<p>These Guidelines concern the remuneration report provided in Article 9b of the Directive. These guidelines do not apply to establishment of the remuneration policy under Article 9a of the Directive <b>whose key elements may be mentioned by cross-reference, in the remuneration report, where appropriate.</b></p>	<p>Reference must be made to the remuneration policy report by cross-reference in order to avoid duplication of information.</p>

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<p>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 guidelines could also represent good practice for all companies that draw up remuneration reports, including companies not included in the scope of the Directive.</p>	
<p>These Guidelines apply to the remuneration of directors. As specified in the Directive, this 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). Furthermore, the Directive specifies that the Report should contain information regarding newly recruited and former directors' remuneration awarded or due during the most recent financial year.</p>	
<p><b>3. KEY PRINCIPLES</b></p>	
<p>1. [Annual reporting] In line with point paragraph 1 of Article 9b, companies are required to provide the Report annually to explain how the remuneration policy has been implemented in the financial year under review.</p>	

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<p>2. [Structure and order of presentation] The Report <del>should</del> <b>may</b> be set up following the structure and order of presentation in sections [5.1 – 5.10]. If there is nothing to report for a specific section, it should be stated so in the section. Nevertheless, in order to facilitate the comparability with Reports published by other companies, none of the data fields of the tables should be omitted.</p>	<p>The guidelines should allow for some flexibility regarding the order of presentation.</p>
<p>3. [Reporting on amounts] All the monetary amounts should be reported gross.</p>	
<p>4. [Cross references] Besides the information regarding the materialized remuneration during the reported financial year, the Report should also include certain background information explicitly required later on in these guidelines. <del>The information mentioned in these guidelines should be specified in the Report and should not be cross-referenced. To the extent no specific background information is required but the Report relies on information published by the company elsewhere, including</del> specific cross-reference to <del>where this information published by the company elsewhere, if appropriate.</del></p>	<p>In order to allow for more flexibility and avoid lengthy reports, cross-references should be generally admitted for background information published by the company elsewhere.</p>
<p>Cross-references can only be made with hyperlinks to sources that are immediately available, free of charge and that allow a search function. Such other sources are for example, the remuneration policy, annual financial statements, management report or corporate governance statement.</p>	
<p>5. [Contents] Directors should ensure that the Report is clear and understandable for its readers, including shareholders, potential investors, employees, customers, suppliers <del>or any other interested party</del>. To this end, the Report should be comprehensive yet concise, transparent, meaningful and simple. The Report should not be too lengthy or overly complex.</p>	<p>The reference to “interested party “is too wide as there will be accounting terms which cannot be understood by anyone. We suggest deleting this.</p> <p>We agree with the fact that the report should be “comprehensive yet concise”, but in that case, the guidelines should allow for cross references, especially in order to avoid duplication of information.</p>

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<p>Where companies have flexibility regarding the methodology used (for example for valuating pension contributions), they should be fully transparent on the methodology applied and maintain consistency over the reported financial years. Where the methodology has been changed compared with the previous report, a note should be included explaining the effect of the change.</p>	
<p>6. [Verbal narratives] In addition to numeric tables, verbal narratives may be important for the users of the Report. To this end, verbal narratives should be added wherever it facilitates the understanding of the reported information.</p>	
<p>7. [Executive / Non-executive directors] Since differing remuneration arrangements can apply to executive and non-executive directors, or to members of administrative, management or supervisory bodies, where the Directive so requires and the guidance is to present information for 'directors', such information should cover both executive and non-executive directors, and, where applicable, be provided in a manner which also allows to distinguish between these different groups of directors.</p>	<p>We agree with this distinction, this is why issuers should be able to split table 1 in the dualistic system and to provide for simplified tables as far as non-executive directors are concerned.</p>

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<p>8. [Confidentiality] Companies should aim at providing sufficient insight to enable the readers of the remuneration 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 position. <del>With specific reference to information in respect of performance measure, disclosure of such information is not mandatory where it happens to be commercially sensitive. Where information to be disclosed would be of a commercially sensitive nature, which could be seriously prejudicial to the company's business position, such information does not need to be detailed in the Report.</del> In that case, the Report should state the reason justifying the omission of the detailed specific information and, to the extent possible, include a qualitative narrative regarding these elements. <del>The detailed specific information should be disclosed in the remuneration report as soon as it ceases to be seriously prejudicial to the business position of the company. The report should provide a commitment or at least an indication on when the directors expect that this will be the case.</del></p>	<p>This exception regarding confidentiality is key in order to protect sensitive information from competitors. We suggest redrafting this sentence as it is not clear to what the guidelines refer to with the terms “business position” of the company.</p> <p>It might not be relevant for the market to receive an information for instance two years after, because it has ceased to be prejudicial to the company.</p>
<p>Besides the specific situations that relate to the omission of information which is seriously prejudicial to the business position of the company, companies should also take into account the applicable data protection requirements as required 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.<sup>1</sup></p>	

<sup>1</sup> See especially Article 9b, paragraphs 2 and 3 and recitals 36, 37 and 40 of the Directive.

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9. <i>[Credit institutions]</i> Companies, which fall under the scope of Directive 2013/36/EU <sup>2</sup> , should in conjunction apply the Remuneration Guidelines by European Banking Authority ('EBA').	
<b>4. STANDARDISED PRESENTATION</b>	
<b>4.1 Introduction and overview</b>	
1. In order to place the materialized remuneration to an appropriate context, the readers of the Report need relevant background information of the general performance and events of the company under the reported financial year. <del>For the said purpose, the Report should start with an introductory section providing a general overview of the reported financial year.</del>	Companies have to disclose otherwise a general overview of the reported financial year. This sentence will lead to duplicate information. There is no need to regulate the introduction which can be adapted by companies according to their specificities by means of cross -references.

<sup>2</sup> 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

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<p>2. The Introduction and Overview section <del>should</del> <b>may</b> start with a brief <u>highlights summary</u> <b>and may include some general information on the most recent Remuneration Policy (e.g. date of approval/submission to shareholders' vote/date from which it takes effect – cross-reference to the company's website where it has been published)</b> . The highlights summary should include only the key elements regarding the remuneration for the financial year reported, 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 financial year reported. To the extent there are no material changes compared to the previous financial years' report, the highlight summary should state this. It should also mention whether there were any exceptional circumstances under or deviations from the Remuneration Policy (see section 5.9), in the financial year reported. <del>The maximum length of the highlights summary is [200 words]. It should not include pictures, tables, graphs or cross references.</del></p>	<p>This “highlights summary” should be optional and allow for cross-references. In addition, it does not make sense to limit the space here, as the rest of the guidelines will lead to a very lengthy report.</p>
<p>3. The highlights summary is to be followed by a comprehensive overview where companies can present further and more detailed information about the most relevant facts and developments in their performance and business environment as well as the major decisions that may have affected the remuneration in the reported financial year. To the extent applicable, companies may in this part also explain in more detail e.g. <del>how discretion was used in decisions regarding the remuneration and</del> how the result of the vote or the views of shareholders were taken into account in line with the provisions of Article 9b4. <del>The maximum length of this verbal narrative is not limited.</del></p>	<p>How discretion was used in decisions regarding remuneration is an information that should be better inserted in the tables instead of the highlights' summary.</p>

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<p>4. In addition to the overview of the performance and business environment of the company, the Introduction and Overview section should contain a brief summary of the following information: an explanation how the remuneration complies with the remuneration policy and how it contributes to the long-term performance of the company, <del>information on how the performance criteria were applied</del> and information on the annual change of remuneration, of the performance of the company and of average remuneration on a full-time equivalent basis of the employees of the company other than directors.</p>	<p>Information on how the performance criteria were applied should be inserted in the tables and not in the introduction.</p>
<p><b>4.2 Total remuneration of Directors 'at a glance'</b></p>	
<p>1. In order to ensure that the Report is clear, understandable and comparable with reports from other companies, it should summarize the total remuneration awarded or due to each Director in the simple format of <b>Table 1</b> below.</p>	<p>The guidelines should provide for a clear definition of the terms “awarded or due” “during the most recent financial year” in order to understand precisely, the differences between the two terms and what has to be disclosed. e.g. when it comes to LTI plans, does it refer to the award during the previous financial year? The vesting during the previous financial year?</p> <p>In addition, dual companies should be allowed to separate into two tables the operational function and the supervisory function.</p>
<p><del>2. The data reported in Table 1 should be based on and reconcilable with the data reported in <b>Table 3</b>, which presents a more comprehensive breakdown of the remuneration information for each director individually (see section 5.4).</del></p>	<p>This table does not seem necessary, all relevant information is reported in table 3. We suggest deleting this table.</p>
<p><del>3. Table 1 should include information regarding both the financial year reported as well as the previous financial year in a separate row or column.</del></p>	
<p><del>4. Explanatory notes regarding <b>Table 1</b>:</del></p>	
<p><del>The notes under Table 3 are applicable to this Table 1.</del></p>	

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<del>1. Base salary, fees and benefits: The data from Table 3, the sum of Column 1 (Fixed remuneration)/ columns A – C</del>	
<del>2. Annual bonus: The data from Table 3, Column 2 (Variable remuneration)/column A (Annual bonus)</del>	
<del>3. Multi-annual Incentives: The data from Table 3, the sum of Column 2 (Variable remuneration) / columns B and C</del>	
<del>4. Fixed pension contributions: The data from Table 3, Column 3</del>	
<del>5. Extraordinary items: The data from Table 3, Column 5</del>	
<del>6. Total: The data from Table 3, Column 6</del>	
<p><del>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.</del></p>	
<p><b>4.3 Performance and information on how the performance criteria were applied</b></p>	
<p>1. In line with point (a), paragraph 1 of Article 9b of the Directive, companies are required to provide, where applicable, an explanation 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 predetermined performance criteria were applied. Such information contributes to explaining in numbers and also verbally, how the remuneration for the reported financial year complies with the adopted remuneration policy and with the long-term performance of the company.</p>	

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<p>2. When it comes to the long-term performance, the Report should explain <del>how the remuneration during the reported financial year has contributed to properly balancing short and long-term objectives of the company as a whole. In this context it should explain</del> the elements of the remuneration that contribute to the long-term interests <del>(beyond 8-10 years)</del> and sustainability of the company. <del>In practice, such elements can for instance incentivise directors to promote investment into highly performing workforce, productive assets, innovation, research and development which aim at ensuring enduring value creation or to improve performance as regards mitigating long term risks (respect for human rights, risks linked to climate change or environmental damage).</del></p>	<p>It is important not to replicate in this § the policy report.  According to the Directive: “The remuneration report should explain how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company”. Proper balancing is a material requirement which is not covered by the Directive.</p> <p>The elements of the remuneration that goes beyond 8-10 years are rare in practice.</p> <p>The last sentence appears to be falling outside the scope of the guidelines.</p>

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<p>3. Companies should present for each Director, <del>in the format of Table 2 below</del>, a description of the applicable performance criteria included in the Remuneration Policy for the different elements of the remuneration, as applicable, the performance achieved over the reported financial year and the outcome of the award resulting from each criterion. The description of <del>each</del> the performance criteria <del>on</del> of annual or multiannual incentive plans <del>should</del> may include, <del>where commercially sensitive</del>, the predetermined target, the performance scale of the above mentioned plans including both the minimum and the maximum bonus and/or award <del>foreseen by the same mentioned plan under each criterion</del>, a description on how the award is calculated as well as the relative weighting of the above mentioned performance criteria <del>on</del> (in the total variable remuneration). To the extent this information is included in the company's Remuneration Policy, it is sufficient to include a specific reference to the relevant part of the Policy (subject to section 4.4).</p>	<p>We consider that it is meaningless for shareholders to have in separate tables:</p> <ul style="list-style-type: none"> <li>- on the one hand, the description of the variable remuneration or of the description of the incentive plans;</li> <li>- on the other hand, the performance criteria that apply to each remuneration component.</li> </ul> <p>Performance criteria are directly linked to the design of the LTIP. Investors need to have in the same table a comprehensive description of each component of the remuneration including the performance criteria that apply to it.</p> <p>The SRD (article 9 b) does not mention the term "targets" nor does article 9 a.</p> <p>Disclosure of performance targets should not be mandatory, especially if they are commercially sensitive; in that case, companies should be allowed to publish the performance scale of the incentive plans, the opportunity level (minimum and maximum bonus or award) in percentage of the base salary, the level of achieved results and the relative payout.</p>
<p>The presentation of the outcome should include the actual measured performance, the performance in relation to the pre-determined target or scale, and the value of the award.</p>	
<p>4. Table 2 should include information regarding both the reported financial year as well as the previous financial year in a separate row or column.</p>	

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5. Table 2 should be presented separately for annual and multi-annual incentives.	
6. If a company has in place a very straightforward framework for measuring performance, such as with only one or few performance indicators, which would not justify the use of a table format, it can opt to present the information in Table 2 without a table format, as a verbal narrative.	
7. Explanatory notes regarding <b>Table 2</b> :	
<u>1. Description of the financial and non-financial Performance Criteria per remuneration arrangement:</u> The performance criteria presented should correspond to the predetermined criteria included in the Remuneration Policy ).	
Where, in exceptional cases, another performance criterion was applied, this should be disclosed in a separate row in the table together with a note explaining the reasons and the justification of such criteria, referred to in section [5.9] concerning derogations and deviations from the remuneration policy and exceptional circumstances.	
<u>2. Relative weighting:</u> Relative weighting of the performance criterion of all the 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.	

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<p><u>3. Range of Performance Criteria Target:</u> In two columns, 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 as a percentage of base salary <b>or, as an alternative, the performance scale and minimum and maximum bonus/award opportunity (as a percentage of the base-salary)</b>. Reference is made to Section [4.10] Key principles/Confidentiality.</p>	
<p><u>4. Measured performance and actual award outcome:</u> This Column should reflect the outcome of the evaluation of performance. On the upper row (a), present the measured performance for the financial year reported regarding the performance criterion and on the row below (b), the actual amount awarded as a percentage of base salary.</p>	
<p>Where any (upward or downward) discretion has been exercised in respect of the award, a note to the table should be included explaining how the discretion was exercised, which factors were taken into account and how the resulting level of award was determined.</p>	
<p><u>5. Measured performance outcome as a percentage of the maximum performance or other method:</u> present a percentage to describe how the performance outcome relates to the maximum possible performance presented in Column 3B.</p>	
<p>If a performance criterion does not have a maximum, present the outcome of the performance measurement in this column using another method. In this case, a note should be included to describe the methodology used or to refer into the relevant section of the Remuneration Policy describing the methodology.</p>	

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6. <u>Monetary value of the award</u> : The amount presented should be based on the measured performance included in column 4, row (b).	
<b>4.4 Detailed information of remuneration awarded or due to each Director for the reported financial year</b>	
1. In line with points (a), (c) and (d), paragraph 1 of Article 9b and where applicable, the total remuneration awarded or due to each individual director should be presented in the format of <b>Table 3</b> below. The table should also include the total remuneration regarding each Director for the previous reported financial year, and a comparison as a percentage of the remuneration presented for the previous reported financial year.	
In addition to the Directors who have performed their mandate during the reported financial year, Table 3 should also provide information regarding former directors, to the extent remuneration was awarded or due during the reported financial year.	
2. Explanatory notes regarding Table 3:	
<u>General</u> :	
(i) The reported financial year should be indicated in the heading of the table.	
(ii) Instead of one table, companies may also present the total remuneration of executive and non-executive remunerations in separate tables, one for 'executive' and the other for 'non-executive' directors, or based on the membership in a particular management body.	The level of information is not the same as far as non-executive directors are concerned. Thus, companies should be allowed to provide for simplified tables.
(iii) If the service of a director has not continued for the full financial year, the date and reason for the commencement or termination of the assignment should be included in a note to the relevant row.	

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<p>(iv) In line with point (c), paragraph 1 of Article 9b of the Directive the table shall, where applicable, include the total remuneration from the entire group of companies and, in case any amount of remuneration originates from a company <b>within the group</b> other than the reporting company, at least a note explaining the said arrangement (especially what amount and on what basis has been paid for each company thereof) should be included.</p>	
<p>(v) 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.</p>	
<p><u>Name of director, position:</u> For each director presented in the table, name and an indication, whether the director has an 'executive' or 'non-executive' position. If the director has an 'executive' position, indicate the exact position. Examples of entries include: 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), non-executive (Employee representative), non-executive (appointed by xxx). If necessary, explain the positions in a note to the relevant row or the entire table.</p>	
<p><u>1 Fixed Remuneration</u></p>	
<p><u>A Base Salary:</u> Base salary <b>paid to or receivable</b> by the director, in exchange for professional services in respect to the reported financial year.</p>	<p>What is the difference between paid and receivable? These terms are not mentioned in the SRD</p>

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<p><u>B Fees:</u> Fees and other compensation <b>paid to or receivable</b> by the Director for the participation in the Board or committees of the board. With respect to fees and other compensation for participation in the Board or committees, also an additional separate table may be provided. Such separate table will present these fees and compensation in a manner that links them back to the relevant provisions in the remuneration policy, in particular the predetermined criteria for their award and the predetermined scale.</p>	
<p><u>C Benefits and perquisites:</u> Value of any benefits <b>paid to or receivable</b> by the Director in respect to the reported financial year. Describe the nature of benefits and perquisites in a note to the relevant line or the entire table. These benefits include all benefits or allowances such as, <del>travel</del>, medical, company car, <del>costs of education</del>, residence, security and other benefits ‘in natura’. As regards benefits granted on the basis of the family situation of individual director, reference is made to Section [4.10] Key principles/Confidentiality.</p>	<p>Business travel are just reimbursement of expenses. It cannot be a benefit in kind. It is not clear to what “Cost of education” refers to.</p>
<p><u>2 Variable Remuneration</u></p>	
<p><u>A Annual bonus:</u> The amount of annual bonus of any form (e.g. in cash, shares or other benefits) <del>paid to or receivable awarded or due to the director in respect to</del> <b>paid to or receivable awarded or due to the director in respect to during the reported financial year</b> as a result of the fulfilment of predetermined performance criteria applicable to the Director, where the time span of the relevant criteria does not exceed <del>one</del> <b>the same year</b>. If the amount reported includes other than cash and/or several types of bonuses, a note should be included to describe their type. Where bonuses are paid out in other form than cash, a note should be included to explain the methodology of calculating the cash value.</p>	<p>The wording should be harmonised. The directive refers to remuneration awarded or due during the most recent financial year; the terms should be explained with clear definitions in order to be sure for each component what has to be reported.</p> <p>As far as annual bonuses are concerned, the terms “awarded or due” are more appropriate. For instance, French companies report on the <b>amount due</b> in respect of the financial year 2018, but the annual bonus is effectively paid in March or in April 2019 after the AGM, due to the fact that the payment of variable remuneration is conditioned to shareholders approval.</p>

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<p><u>B Multi-annual incentives:</u> The total value of any variable components of remuneration awarded or due <del>for</del> during the reported financial year as a result of the fulfilment of the predetermined performance criteria applicable to the Director, and where the time span of the relevant performance criteria exceeds one year. The incentives reported under this column are any other form than share-based incentives. Share-based incentives should be reported in Column C.</p>	<p>The wording should be aligned with the directive.</p>
<p>The cash value of the multi-annual incentives should be included. If the amount reported includes other than cash and/or several types of bonuses, a note should be included to describe their type. Where the long-term incentives are paid out in other form than cash, a note should be included to explain the methodology of calculating the cash value.</p>	
<p><u>C Share-linked incentives:</u> The total value of any variable components of remuneration awarded or due during the reported financial year as a result of the fulfilment of the predetermined performance criteria applicable to the Director, and where the time span of the relevant plan exceeds one year. The share-based remuneration plans can include any types of share awards and share options, which can be settled either in shares or cash.</p>	
<p>The amount reported should be equal to the sum of the amount reported in Table 4 (Share options) column 9 and Table 5 (Share awards), column 7.</p>	
<p><u>3 Fixed pension contributions:</u> Contributions by the company to finance a future pension pay-out for the Director. To the extent the pension contributions are conditional upon the fulfilment of performance criteria, such contributions should be reported either in column 2A or 2B as applicable.</p>	

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<p>A note to the relevant row should be added to describe the type of the pension arrangement presented or, a specific reference to where this information can be found. Especially, if the pension arrangement is so called 'benefit-defined' (i.e. provides a specific pension payment rather than is based on investment returns), this should be stated clearly in the note to the relevant row. If there is more than one pension plan or arrangement, information should be included for each of them, on separate rows.</p>	
<p>Mandatory or statutory pension contributions need not be reported. If the column is left blank due to exclusively mandatory pension benefits available for the director, a note should be included stating this in order to ensure comparability between divergent pension systems.</p>	
<p><u>4. Relative proportions of fixed and variable remuneration:</u> The relative proportion should be presented as a percentage, by calculating:</p>	
<p>the sum of the amounts reported in column 1 (Fixed remuneration) and 3 (Fixed pension contributions) /</p> <p>the sum of the amounts reported in column 2 (Variable remuneration)</p> <p>X 100</p>	
<p>The extraordinary items from column 5 should not be taken into account for calculating the relative proportion of fixed and variable remuneration.</p>	
<p><u>5 Extraordinary items:</u> Any non-recurring remuneration earned for 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.</p>	

Commission guidelines including modifications required by issuers (in red)	EuropeanIssuers Comments
<p><u>6 Total remuneration:</u> 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 5.</p>	
<p><u>7 Change to previous financial year, percentage:</u> Present the change to total remuneration for each Director to previous financial year reported. For the reported financial year, the change should be the amount in the upper row /the amount in the row below (X 100) in column 6. For the previous financial year the change should be presented in consistency with the respective data provided in the Report for the previous financial year</p>	
<p><b>4.5 Share options and share awards</b></p>	
<p>1. In line with point (d), paragraph 1 of Article 9b of the Directive, companies are required to provide information in the Report 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 predominantly linked to short-term financial performance, how the share-based incentives are set-up and awarded and how they comply with the published remuneration policy.</p>	
<p>2. Besides the directors who have performed their mandate during the reported financial year, Tables 4 and 5 should also provide information of former directors to the extent share-based remuneration was awarded or due based a condition that was realised during the reported financial year.</p>	

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<p>3. In practise, outright share awards are commonly used as an alternative to share options. Hence, it is reasonable to present the information relating to share options and share awards separately. Tables 4 and 5 should be included in the Report to the extent the share-based instruments are used as multi-annual incentives. Share-based annual bonuses should be reported in Column 2 A of Table 3.</p>	
<p>4. Companies should present the information relating to share options and share awards in the format of Tables 4 and 5. The tables include the key elements and the events throughout the reported financial year regarding the share option or share award plans, in order to evaluate the share-based remuneration. The key terms and features of the share option plans should be included in a note to the relevant row or the table should include a specific reference to their description in the Remuneration Policy.</p>	
<p>5. Explanatory notes regarding Table 4:</p>	
<p><u>General</u>: The table depicts the remuneration granted as share options.</p>	
<p>Explanatory notes for each column, to the extent explanations are necessary:</p>	
<p><u>1 Specification of plan</u>: Specify each plan in order to allow a reference to where the complete terms and performance conditions of the plan can be found.</p>	
<p><u>2 Performance period</u>: Present the start and the end of performance period in consistency with the terms of the applicable share option plan.</p>	
<p><u>3 Strike price of the share</u>: Present the strike price in consistency with the terms of the applicable share option plan.</p>	
<p><u>4 Award date</u>: For each plan, present each award date in its own row</p>	

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<p><u>10 Number of share options exercised during the year:</u> The information regarding the share options exercised may not relate to the performance during the reported financial year. When applicable, a note should be included to specify this and additionally, information should be included to indicate the total gain resulted from the exercise of share options during the year.</p>	
<p><u>12 Number and value of share options vested, but unexercised at year end:</u> A note should be included to indicate the methodology used in calculating the value. As a valuation method, the average share price for the last quarter of the reported financial year <del>should</del> <b>may</b> be used, less any purchase/ exercise price payable, <b>but other methods advised by the national regulator might also be used</b>. In addition, the note should include the value of any additional cash, shares or value receivable in respect of dividends accrued or distribution paid (actual or notional).</p>	<p>As far as valuation methods are concerned, companies generally refer to IFRS, as requested by their national financial authorities. The method proposed will not offer comparability due to the fact that each share options plan differs from one another with different vesting periods, different performance criteria...</p> <p>If this method is used in the UK, it is because there are similarities on the way the share options plans are designed.</p>
<p>6. Explanatory notes regarding Table 5:</p>	
<p><u>General:</u> The table depicts the remuneration granted as share awards. In structure, it corresponds to Table 4 to the extent appropriate.</p>	
<p>Explanatory notes for each column, to the extent explanations are necessary:</p>	
<p><u>2 Performance period:</u> Present the start and the end of performance period in consistency with the terms of the applicable share option plan.</p>	
<p><u>3 Award date:</u> For each plan, present each award date in its own row.</p>	

Commission guidelines including modifications required by issuers (in red)	EuropeanIssuers Comments
<p><u>8 Number and value of shares vested and held at year end:</u> A note should be included to indicate the methodology used in calculating the value. As a valuation method, the average share price for the last quarter of the reported financial year <del>should</del> <b>may</b> be used, less any purchase/ exercise price payable. In addition, the note should include the value of any additional cash, shares or value receivable in respect of dividends accrued or distribution paid (actual or notional).</p>	<p>Same comments than above regarding share options plans.</p>
<p><b>4.6 Comparative information of the change of directors' and employees' remuneration and company's performance over the last 5 financial years</b></p>	
<p>1. In line with point (b), paragraph 1 of Article 9b of the Directive, the companies are required to provide, where applicable, information on the annual change of remuneration of each individual director, on the performance of the company, and on the 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, presented together in a manner which permits comparison. To this end, companies should include in their remuneration report information in the format of Tables 6 and 7.</p>	
<p>2. Explanatory notes regarding <b>Table 6:</b></p>	
<p><u>General:</u> This table should be provided for each Director separately.</p>	

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<p>The table should also be provided for any director whose mandate ended during the reported financial year (“RFY”). For calculating the change in remuneration between the reported financial year in which such director performed its mandate and the preceding financial year, the remuneration for the reported financial year should be annualised in order to allow for a meaningful comparison. With respect to newly recruited directors, the table should be provided as from the financial year during which the director took up the mandate, following the same principles as for the Directors, whose mandate terminated during the reported financial year.</p>	
<p><u>Name of director, position:</u> To be stated in conformity with the respective note under <b>Table 3</b>.</p>	
<p><u>Annual change:</u> The columns (RFY vs. RFY-1, RFY-1 vs. RFY-2 etc.) of the row represent the most recent previous financial years to be compared in the rows below. In order to ensure a meaningful comparison to the previous years reported, the amount of fixed (as presented in Column 1 of <b>Table 3</b>), variable (as presented in Column 3 of <b>Table 3</b>) and total remuneration (as presented in Column 6 of <b>Table 3</b>) for the reported financial year should be included in the far right column of the respective row.</p>	
<p>The annual change can be presented either as a percentage or, if more meaningful and appropriate for the reader, as absolute numbers. Both approaches have their advantages and disadvantages. Hence, it is recommended that companies include the information both of these ways, unless the one or the other is clearly meaningless or less valuable. In any event, the companies should provide the information for all individual Directors in a consistent manner.</p>	

Commission guidelines including modifications required by issuers (in red)	EuropeanIssuers Comments
<p><u>1 Fixed remuneration:</u> The amounts to be compared in this context are the total amounts presented in Column 1 of Table 3 regarding the respective financial years.</p>	
<p><u>2 Variable remuneration:</u> The amounts to be compared in this context are the total amounts presented in Column 2 of Table 3 regarding the respective financial years.</p>	
<p><u>3 Total remuneration:</u> The amounts to be compared in this context are the sums of total amounts presented in Columns 1, 2 and 3 of Table 3, thus excluding the extraordinary items included in Column 5 of Table 3, regarding the respective financial years.</p>	
<p>3. Notes to <b>Table 7:</b></p>	
<p><u>General:</u> Table 7 is to include average information regarding all directors. Where applicable, companies should consider presenting the information regarding executive and non-executive directors also in a way that allows the assessment of the average pay and performance of both positions (e.g. by providing also distinguished average information of both positions in Table 7 or a note thereof).</p>	
<p><u>Names and positions of directors:</u> In conformity with the respective note under <b>Table 3</b>, names and positions of all directors whose remuneration has been taken into account when calculating the average remunerations reported in the Table.</p>	
<p><u>Annual change:</u> See note 'Annual change' under <b>Table 6</b>.</p>	

Commission guidelines including modifications required by issuers (in red)	EuropeanIssuers Comments
<p><u>1 Average fixed remuneration of all Directors:</u> The amounts to be compared in this context equal to the average of the amounts of fixed remuneration set for each Director as the Total amount in Column 1 of Table 3 regarding the respective financial years.</p>	
<p><u>2 Average variable remuneration of all Directors:</u> The amounts to be compared in this context equal to the average of the amounts of variable remuneration set for each director as the Total amount in Column 2 of Table 3 regarding the respective financial years.</p>	
<p><u>3 Average total remuneration of all Directors:</u> The amounts to be compared in this context equal to the average of the amounts of total remuneration set for each director as the sum of total amounts in Columns 1, 2 and 3 of Table 3 regarding the respective financial years.</p>	<p>Pensions should be excluded due to the large range of regimes and their methods of calculation.</p>
<p><u>4 Performance of the company:</u> On this row companies should present information on the annual change of their performance regarding the respective financial years. <del>This number should be in conformity with the financial statements and should relate to the net profit or loss for the financial year. Other financial performance criteria could also be included in addition, however net profit or loss should always be the first data to be presented. In case other performance criteria are also included,</del> the methodology to calculate the performance should be indicated and it should be used systematically throughout the table.</p>	<p>This paragraph appears to be falling outside the scope of the guidelines. The SRHD Directive does not mention nor prescribes any specific criteria.</p> <p>There should be more flexibility on this point and companies should be free to use other metrics they deem appropriate, according to their business model, their strategy, the structure of their incentive system etc.</p> <p>Moreover, the net profit criteria does not seem to fit the scope of describing the company performance in a long-term perspective.</p>

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<p>In line with paragraph 6 of Article 9a of the Directive, the remuneration policy shall indicate the financial and non-financial performance criteria, including, where appropriate, criteria related to corporate social responsibility. To be consistent with the said requirement and to allow an appropriate assessment of the remuneration and of the performance of the company, the Report, in addition to the financial performance referred to above, <b>should may</b> also include, <b>if appropriate</b> information on the change of the non-financial performance of the company measured by criteria that correspond to the non-financial performance criteria used in the remuneration of directors. Non-financial performance relates to environmental, social and employee matters, respect for human rights, anti-corruption and bribery and companies can for example use indicators such as investments into developing and retaining a highly performing and skilled workforce or reducing carbon emissions, as appropriate. .</p>	<p>Non-financial criteria may differ from one director to another, so it does not make sense to require the inclusion of criteria used for the remuneration of directors.</p>
<p>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.</p>	
<p><u>5 Average remuneration on a full-time equivalent basis of employees of the company other than Directors:</u> On this row companies should present numeric information on the annual change of average remuneration on a full-time equivalent basis of employees regarding the respective financial years.</p>	

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<p>Consistently with the wording of point (b) of the first paragraph under Article 9b of the Directive, the companies should provide the information including all the employees of the 'company' (i.e. the reporting entity). <del>When calculating the average remuneration of employees of the company, all employees should be taken into account irrespective to their place of work inside or outside the country where the company is listed or has its registered office.</del></p>	<p>This paragraph is ambiguous and not consistent with level 1 which refers to the employees of the company and not the group.</p> <p>Considering the potential hurdles to collect this data and the fact that some information could not be comparable (due to differences in remuneration structure/levels related to the different places of work and to their relative purchasing power) it would be useful to clarify that flexibility is allowed on this point (e.g. using estimates, referring to labour cost data etc.).</p> <p>Indeed it is very complex to summarise using only one number the average remuneration of employees in the entire group.</p>
<p><del>Providing information including the employees of the entire group of companies, on a consolidated basis may give more meaningful information to the readers. This could in practice be the case for instance when the reporting company is a holding company of several subsidiaries with varying level of pay. In addition, providing information including the employees of the whole group provides a sound approach when the performance of the company in Table 7 is also presented by metrics that take into account the performance of the entire group, on a consolidated basis. Although not specifically mentioned in the text of the Directive, the consolidated approach is consistent with the outset that consolidated accounts form the basis for the companies' external financial reporting, if business is conducted as a group. In either approach a note should be included to the relevant row, explaining which approach has been taken and depicting the number of employees taken into account when calculating the average remuneration. However, if the company chooses to present information based on employees of the entire group of companies in Table 7, it should in addition also present the respective information as regards the employees of the company as required by the Directive.</del></p>	<p>In the US this calculation has led to 80 pages of guidelines in order to try to make this information comparable without any success.</p> <p>The Commission's interpretation goes completely against the wording and the spirit of the level 1 text so the guidelines should abstain from giving considerations on what would amount to a contra-<i>legem</i> addition to the level 1 text.</p> <p>Therefore, the guidelines should refrain from imposing to disclose information including the employee of the entire group on a consolidated basis and give flexibility to issuers to choose the scope they deem the more appropriate.</p>

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Companies should maintain a consistent approach over the years. If the company revises its approach, a note should be included to explain the new methodology and the reasons justifying the change.	
<b>4.7 Any use of the right to reclaim</b>	
1. In line with point (e), paragraph 1 of Article 9b, 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 ' <i>malus</i> ' (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 ' <i>clawback</i> ' (i.e. cases where a director has to return ownership of an amount of variable remuneration received or vested in the past, to the company).	
2. If no variable remuneration has been reclaimed, the report should comprise an explicit confirmation that no reclaim of variable remuneration has been made in the reported financial year.	
3. If variable remuneration has been reclaimed, the report should include the following information:	
- the name of the director subject to the reclaim;	
- <del>an explanation of the reasons for such reclaim;</del>	This information is not required by the directive and may be sensitive information due to ongoing judicial disputes
- <del>the date of the decision and the decisional process followed;</del>	
- the amount reclaimed;	
- the relevant year (i.e. the financial year in which the variable remuneration was awarded or due).	

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<p>4. The highlight summary at the beginning of the report [see section 5.1] should mention whether there has been a reclaim or not, and if so, the amount of the reclaim during the reported financial year.</p>	
<p><b>4.8 Information on shareholder vote</b></p>	
<p>1. Companies should include in the Report the result of the vote by the general meeting on the Report relating to the previous reported financial year, established in accordance with article 14, paragraph 1 of the Directive. In line with paragraph 4 of Article 9b, companies are required to explain in the Report how the vote by the general meeting has been taken into account.</p>	
<p>2. Small and medium-sized companies where, in accordance with national law, the general meeting did not vote on the remuneration report but only discussed it, should include the main lines of such discussion in the Report. In line with the second sub-paragraph of paragraph 4 of Article 9b, companies are required to explain in their report in what manner the discussion in the general meeting was taken into account.</p>	
<p><b>4.9 Derogations and deviations from the remuneration policy, exceptional circumstances</b></p>	
<p>1. In line with point (f) of paragraph 1 of article 9b, 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 policy applied, including the explanation of the nature of the exceptional circumstances and the indication of the specific elements derogated from.</p>	
<p>2. <del>If the company has not deviated or derogated from the remuneration policy under paragraphs 4 and 6 of Article 9a of the Directive during the reported financial year, they should inform in the Report in particular that:</del></p>	<p>If there is no deviation from the policy, no explanation should be necessary in order to avoid lengthy reports.</p>

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(i) <del>the company has complied with the procedures set out in the remuneration policy for the implementation of the policy, including the measures described in the remuneration policy to avoid or manage conflicts of interests and, where applicable, the role given in the remuneration policy to the remuneration committee or other committees.</del>	
(ii) <del>the remuneration awarded or due during the reported financial year to individual directors complies with the remuneration policy.</del>	This information is already required in the introduction.
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 or has applied any derogations in accordance with paragraph 4 of Article 9a, it shall provide detailed information on such deviation or derogation. This should include in particular:	
(i) an indication of the specific elements deviated or derogated from and a confirmation that the remuneration policy allows <b>or national law requires</b> these elements to be deviated or derogated from;	In Germany, the duty to reduce remuneration may arise in certain circumstances which will lead to deviate to the remuneration policy. Art. 87 of the Stock Corporation Act states: "Where the economic situation of the company deteriorates at a time following the above determinations such that the continued granting of the emoluments pursuant to subsection (1) would be inequitable for the company, the supervisory board or, in the case governed by section 85 subsection (3), the court is to reduce the emoluments to a reasonable amount upon a corresponding petition having been filed by the supervisory board."
(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;	

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(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.	
National rules implementing the Directive may determine which circumstances can be considered exceptional which in turn may result in deviations from the remuneration policy. According to the Directive, the appointment of a new director should not constitute in itself an exceptional circumstance resulting in a derogation from the rules of the remuneration policy. However, this may be the case when the appointment and derogation is necessary to serve the long-term interest and sustainability of the company or to assure its viability.	
<b>4.10 Information about Directors' share ownership</b>	
The Directive does not require information about Directors' share ownership to be included in the Report when that is not linked to the information to be presented in the remuneration report.	
Even though not required in the Directive, the Report <del>should</del> <b>may</b> include, <b>where appropriate</b> an indication whether the company has established rules or guidelines regarding the holding of shares by the Directors. Where applicable, such information is necessary to represent the whole set of terms and conditions that apply to remuneration of the directors. If rules or guidelines on Directors' share ownership exist, information on where they can be found should be included to the Report.	

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<b>5 PUBLICATION AND AUDIT</b>	
<p>Paragraph 5 of Article 9b of the Directive requires the company to make the remuneration report publicly available on its website, free of charge, for a period of 10 years. The company may choose to keep the Report available for a longer period provided it no longer contains the personal data of directors. Paragraph 4 of Article 5 of the Directive includes the requirement to make the report available to shareholders no later than 21 days prior to the general meeting.</p>	
<p>The statutory auditor or audit firm shall check that the information required by Article 9b of the Directive has been provided.</p>	
<b>6 TRANSITIONAL REGIME - FIRST REPORTING YEARS</b>	
<p>In line with the Directive, these guidelines require certain comparative information to be included in the remuneration report with respect to previous financial years. This is for example the case for the five year comparison described in Section 4.6 above.</p>	
<p>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 case, it may 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.</p>	