

Chapter 9

Continuing obligations

9.8 Annual financial report

9.8.1 **R** [deleted]

9.8.2 **R** [deleted]

9.8.3 **R** [deleted]

Information to be included in annual report and accounts

9.8.4 **R** In addition to the requirements set out in **■ DTR 4.1** a *listed company* must include in its annual financial report, where applicable, the following:

- (1) a statement of the amount of interest capitalised by the *group* during the period under review with an indication of the amount and treatment of any related tax relief;
- (2) any information required by **■ LR 9.2.18 R** (Publication of unaudited financial information);
- (3) [deleted]
- (4) details of any long-term incentive schemes as required by **■ LR 9.4.3 R**;
- (5) details of any arrangements under which a *director* of the *company* has waived or agreed to waive any emoluments from the *company* or any *subsidiary undertaking*;
- (6) where a *director* has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review;
- (7) in the case of any allotment for cash of *equity securities* made during the period under review otherwise than to the holders of the *company's equity shares* in proportion to their holdings of such *equity shares* and which has not been specifically authorised by the *company's* shareholders:
 - (a) the classes of shares allotted and for each class of shares, the number allotted, their aggregate nominal value and the consideration received by the company for the allotment;
 - (b) the names of the allottees, if less than six in number, and in the case of six or more allottees a brief generic description of each new class of equity holder (e.g. holder of loan stock);

- (c) the market price of the allotted *securities* on the date on which the terms of the issue were fixed; and
 - (d) the date on which the terms of the issue were fixed;
- (8) the information required by paragraph (7) must be given for any unlisted *major subsidiary undertaking* of the *company*;
- (9) where a *listed company* has *listed shares* in issue and is a *subsidiary undertaking* of another *company*, details of the participation by the *parent undertaking* in any placing made during the period under review;
- (10) details of any *contract of significance* subsisting during the period under review:
 - (a) to which the *listed company*, or one of its *subsidiary undertakings*, is a party and in which a *director* of the *listed company* is or was materially interested; and
 - (b) between the *listed company*, or one of its *subsidiary undertakings*, and a *controlling shareholder*;
- (11) details of any contract for the provision of services to the *listed company* or any of its *subsidiary undertakings* by a *controlling shareholder*, subsisting during the period under review, unless:
 - (a) it is a contract for the provision of services which it is the principal business of the shareholder to provide; and
 - (b) it is not a *contract of significance*;
- (12) details of any arrangement under which a shareholder has waived or agreed to waive any dividends;
- (13) where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review; and
- (14) a statement made by the board:
 - (a) that the *listed company* has entered into any agreement required under ■ LR 9.2.2ADR(1); or
 - (b) where the *listed company* has not entered into an agreement required under ■ LR 9.2.2ADR(1):
 - (i) a statement that the *FCA* has been notified of that non-compliance in accordance with ■ LR 9.2.23 R; and
 - (ii) a brief description of the background to and reasons for failing to enter into the agreement that enables shareholders to evaluate the impact of non-compliance on the *listed company*; and
- (c) that:
 - (i) the *listed company* has complied with the undertakings in ■ LR 6.5.4R or ■ LR 9.2.2ADR(1) during the period under review;
 - (ii) so far as the *listed company* is aware, the undertakings in ■ LR 6.5.4R or ■ LR 9.2.2ADR(1) have been complied with during the period under review by the *controlling shareholder* or any of its *associates*; and

- (iii) so far as the *listed company* is aware, the procurement obligation (as set out in ■ LR 6.5.5R(2)(a) or ■ LR 9.2.2BR (2)(a)) included in any agreement entered into under ■ LR 6.5.4R or ■ LR 9.2.2ADR(1) has been complied with during the period under review by a *controlling shareholder*; or
- (d) where an undertaking in ■ LR 6.5.4R or ■ LR 9.2.2ADR(1) or a procurement obligation (as set out in ■ LR 6.5.5R(2)(a) or ■ LR 9.2.2BR (2)(a)) included in any agreement entered into under ■ LR 6.5.4R or ■ LR 9.2.2ADR(1) has not been complied with during the period under review:
 - (i) a statement that the *FCA* has been notified of that non-compliance in accordance with ■ LR 9.2.24 R; and
 - (ii) a brief description of the background to and reasons for failing to comply with the relevant undertaking or procurement obligation that enables shareholders to evaluate the impact of non-compliance on the *listed company*.

9.8.4A ■ Where an *independent director* declines to support a statement made under ■ LR 9.8.4R (14)(a) or ■ (c), the statement must record this fact.

9.8.4B ■ Where a *listed company's* annual financial report contains a statement of the type referred to in ■ LR 9.8.4R (14)(b) or ■ (d), the *FCA* may still take any action it considers necessary in relation to the underlying breach by the *listed company* of ■ LR 9.2.2ADR(1) or ■ LR 9.2.2G R.

9.8.4C ■ The *listed company's* annual financial report must include the information required under ■ LR 9.8.4 R in a single identifiable section, unless the annual financial report includes a cross reference table indicating where that information is set out.

9.8.5 ■ A *listed company* need not include with the annual report and accounts details of waivers of dividends of less than 1% of the total value of any dividend provided that some payment has been made on each *share* of the relevant *class* during the relevant calendar year.

Additional information

9.8.6 ■ In the case of a *listed company* incorporated in the *United Kingdom*, the following additional items must be included in its annual financial report:

- (1) a statement setting out all the interests (in respect of which transactions are notifiable to the company under article 19 of the *Market Abuse Regulation*) of each *person* who is a *director* of the *listed company* as at the end of the period under review including:
 - (a) all changes in the interests of each *director* that have occurred between the end of the period under review and a date not more than one month prior to the date of the notice of the annual general meeting; or

- (b) if there have been no changes in the period described in paragraph (a), a statement that there have been no changes in the interests of each *director*.

Interests of each *director* includes the interests of *connected persons* of which the *listed company* is, or ought upon reasonable enquiry to become, aware.

- (2) a statement showing the interests disclosed to the *listed company* in accordance with ■ DTR 5 as at the end of the period under review and:
- (a) all interests disclosed to the *listed company* in accordance with ■ DTR 5 that have occurred between the end of the period under review and a date not more than one month prior to the date of the notice of the annual general meeting; or
- (b) if no interests have been disclosed to the *listed company* in accordance with ■ DTR 5 in the period described in (a), a statement that no changes have been disclosed to the *listed company*.
- (3) statements by the *directors* on:
- (a) the appropriateness of adopting the going concern basis of accounting (containing the information set out in Provision 30 of the *UK Corporate Governance Code*); and
- (b) their assessment of the prospects of the *company* (containing the information set out in Provision 31 of the *UK Corporate Governance Code*);
- prepared in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the Financial Reporting Council in September 2014;
- (4) a statement setting out:
- (a) details of any shareholders' authority for the purchase, by the *listed company*, of its own *shares* that is still valid at the end of the period under review;
- (b) in the case of purchases made otherwise than through the market or by tender to all shareholders, the names of sellers of such *shares* purchased, or proposed to be purchased, by the *listed company* during the period under review;
- (c) in the case of any purchases made otherwise than through the market or by tender or partial offer to all shareholders, or options or contracts to make such purchases, entered into since the end of the period covered by the report, information equivalent to that required under Part 2 of Schedule 7 to the Large & Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (Disclosure required by company acquiring its own shares etc); and
- (d) in the case of sales of *treasury shares* for cash made otherwise than through the market, or in connection with an *employees' share scheme*, or otherwise than pursuant to an opportunity which (so far as was practicable) was made available to all holders of the *listed company's securities* (or to all holders of a relevant class of its *securities*) on the same terms, particulars of

the names of purchasers of such *shares* sold, or proposed to be sold, by the *company* during the period under review;

- (5) a statement of how the *listed company* has applied the Principles set out in the *UK Corporate Governance Code*, in a manner that would enable shareholders to evaluate how the principles have been applied;
- (6) a statement as to whether the *listed company* has:
 - (a) complied throughout the accounting period with all relevant provisions set out in the *UK Corporate Governance Code*; or
 - (b) not complied throughout the accounting period with all relevant provisions set out in the *UK Corporate Governance Code* and if so, setting out:
 - (i) those provisions, if any it has not complied with;
 - (ii) in the case of provisions whose requirements are of a continuing nature, the period within which, if any, it did not comply with some or all of those provisions; and
 - (iii) the *company's* reasons for non-compliance;
- (7) a report to the shareholders by the Board which contains the information set out in ■ LR 9.8.8 R;
- (8) a statement setting out:
 - (a) whether the *listed company* has included in its annual financial report climate-related financial disclosures consistent with the *TCFD Recommendations and Recommended Disclosures*;
 - (b) in cases where the *listed company* has:
 - (i) made climate-related financial disclosures consistent with the *TCFD Recommendations and Recommended Disclosures*, but has included some or all of these disclosures in a document other than the annual financial report:
 - (A) the recommendations and/or recommended disclosures for which it has included disclosures in that other document;
 - (B) a description of that document and where it can be found; and
 - (C) the reasons for including the relevant disclosures in that document and not in the annual financial report;
 - (ii) not included climate-related financial disclosures consistent with all of the *TCFD Recommendations and Recommended Disclosures* in either its annual financial report or other document as referred to in (i):
 - (A) the recommendations and/or recommended disclosures for which it has not included such disclosures;
 - (B) the reasons for not including such disclosures; and
 - (C) any steps it is taking or plans to take in order to be able to make those disclosures in the future, and the timeframe within which it expects to be able to make those disclosures; and

- (c) where in its annual financial report or (where appropriate) other document the climate-related financial disclosures referred to in (a) can be found;
- (9) a statement setting out:
 - (a) whether the *listed company* has met the following targets on board diversity as at a chosen reference date within its accounting period:
 - (i) at least 40% of the individuals on its board of *directors* are women;
 - (ii) at least one of the following senior positions on its board of *directors* is held by a woman:
 - (A) the chair;
 - (B) the chief executive;
 - (C) the senior independent director; or
 - (D) the chief financial officer; and
 - (iii) at least one individual on its board of *directors* is from a *minority ethnic background*;
 - (b) in cases where the *listed company* has not met all of the targets in (a):
 - (i) the targets it has not met; and
 - (ii) the reasons for not meeting those targets;
 - (c) the reference date used for the purposes of (a) and, where this is different from the reference date used for the purposes of reporting this information in respect of the previous accounting period, an explanation as to why; and
 - (d) any changes to the board that have occurred between the reference date used for the purposes of (a) and the date on which the annual financial report is approved that have affected the *listed company's* ability to meet one or more of the targets in (a);
- (10) subject to ■ LR 9.8.6GR, numerical data on the ethnic background and the gender identity or sex of the individuals on the *listed company's* board and in its *executive management* as at the reference date used for the purposes of ■ LR 9.8.6R(9)(a), which should be set out in the format of the tables contained in ■ LR 9 Annex 2 and contain the information prescribed by those tables; and
- (11) an explanation of the *listed company's* approach to collecting the data used for the purposes of making the disclosures in ■ LR 9.8.6 R(9) and ■ (10).

9.8.6A

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- (1) The effect of ■ LR 9.8.6R (1) is that a *listed company* is required to set out a 'snapshot' of the total interests of a *director* and his or her *connected persons*, as at the end of the period under review (including certain information to update it as at a date not more than a month before the date of the notice of the annual general meeting). The interests that need to be set out are limited to those in respect of which transactions fall to be notified under the notification

requirement for PDMRs in article 19 of the *Market Abuse Regulation*. *Persons* who are *directors* during, but not at the end of, the period under review need not be included.

- (2) A *listed company* unable to compile the statement in ■ LR 9.8.6R(1) from information already available to it may need to seek the relevant information, or confirmation, from the *director* himself, including that in relation to *connected persons*, but would not be expected to obtain information directly from *connected persons*.

9.8.6B

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For the purposes of ■ LR 9.8.6R(8), in determining whether climate-related financial disclosures are consistent with the *TCFD Recommendations and Recommended Disclosures*, a *listed company* should undertake a detailed assessment of those disclosures which takes into account:

- (1) Section C of the *TCFD Annex* entitled "Guidance for All Sectors";
- (2) (where appropriate) Section D of the *TCFD Annex* entitled "Supplemental Guidance for the Financial Sector"; and
- (3) (where appropriate) Section E of the *TCFD Annex* entitled "Supplemental Guidance for Non-Financial Groups".

9.8.6C

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For the purposes of ■ LR 9.8.6R(8), in determining whether a *listed company's* climate-related financial disclosures are consistent with the *TCFD Recommendations and Recommended Disclosures*, the *FCA* considers that the following documents are relevant:

- (1) the *TCFD Final Report* and the *TCFD Annex*, to the extent not already referred to in ■ LR 9.8.6R(8) and ■ LR 9.8.6BG;
- (2) the *TCFD Technical Supplement on the Use of Scenario Analysis*;
- (3) the *TCFD Guidance on Risk Management Integration and Disclosure*;
- (4) (where appropriate) the *TCFD Guidance on Scenario Analysis for Non-Financial Companies*; and
- (5) the *TCFD Guidance on Metrics, Targets and Transition Plans*.

9.8.6D

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For the purposes of ■ LR 9.8.6R(8), in determining whether climate-related financial disclosures are consistent with the *TCFD Recommendations and Recommended Disclosures*, a *listed company* should consider whether those disclosures provide sufficient detail to enable users to assess the *listed company's* exposure to and approach to addressing climate-related issues.

A *listed company* should carry out its own assessment to ascertain the appropriate level of detail to be included in its climate-related financial disclosures, taking into account factors such as:

- (1) the level of its exposure to climate-related risks and opportunities; and
- (2) the scope and objectives of its climate-related strategy,

- noting that these factors may relate to the nature, size and complexity of the *listed company's* business.
- 9.8.6E** **G** (2) For the purposes of **■ LR 9.8.6R(8)**, the *FCA* would ordinarily expect a *listed company* to be able to make climate-related financial disclosures consistent with the *TCFD Recommendations and Recommended Disclosures*, except where it faces transitional challenges in obtaining relevant data or embedding relevant modelling or analytical capabilities.
- (2) In particular, the *FCA* would expect that a *listed company* should ordinarily be able to make disclosures consistent with:
- (a) the recommendation and recommended disclosures on governance in the *TCFD Recommendations and Recommended Disclosures*;
 - (b) the recommendation and recommended disclosures on risk management in the *TCFD Recommendations and Recommended Disclosures*; and
 - (c) recommended disclosures (a) and (b) set out under the recommendation on strategy in the *TCFD Recommendations and Recommended Disclosures*, to the extent that the *listed company* does not face the transitional challenges referred to in (1) in relation to such disclosures.
- 9.8.6F** **G** Where making disclosures on transition plans as part of its disclosures on strategy under the *TCFD Recommendations and Recommended Disclosures*, a *listed company* that is headquartered in, or operates in, a country that has made a commitment to a net zero economy, such as the UK's commitment in the Climate Change Act 2008 (2050 Target Amendment) Order 2019, is encouraged to assess the extent to which it has considered that commitment in developing and disclosing its transition plan. Where it has not considered this commitment in developing and disclosing its transition plan, the *FCA* encourages a *listed company* to explain why it has not done so.
- 9.8.6G** **R** In relation to **■ LR 9.8.6R(10)**, where individuals on a *listed company's* board or in its *executive management* are situated *overseas*, and data protection laws in that jurisdiction prevent the collection or publication of some or all of the personal data required to be disclosed under that provision, then a *listed company* may instead explain the extent to which it is unable to make the relevant disclosures.
- 9.8.6H** **G** Given the range of possible approaches to data collection for reporting on gender identity or sex for the purposes of **■ LR 9.8.6R(10)**, a *listed company* may add to the categories included in the first column of the table in **■ LR 9 Annex 2.1R (a)** in order to reflect the basis on which it has collected data.
- 9.8.6I** **G** In relation to **■ LR 9.8.6R(11)**, the *FCA* expects a *listed company's* approach to data collection to be:

- (a) consistent for the purposes of reporting under both ■ LR 9.8.6R(9) and ■ (10), and
- (b) consistent across all individuals in relation to whom data is being reported.

The FCA expects the explanation of a *listed company's* approach to data collection to include the method of collection and / or source of the data, and where data collection is done on the basis of self-reporting by the individuals concerned, a description of the questions asked.

9.8.6J **G** In addition to the information required under ■ LR 9.8.6R (9) to ■ (11) (and without prejudice to the requirements of ■ DTR 7.2.8AR), a *listed company* may, if it wishes to do so, include the following in its annual financial report:

- (a) a brief summary of any key policies, procedures and processes, and any wider context, that it considers contribute to improving the diversity of its board and *executive management*;
- (b) any mitigating factors or circumstances which make achieving diversity on its board more challenging (for example, the size of the board or the country where its main operations are located); and
- (c) any risks it foresees in being able to meet or continue to meet the board diversity targets in ■ LR 9.8.6R(9)(a) in the next accounting period, or any plans to improve the diversity of its board.

9.8.7 **R** An *overseas company* with a *premium listing* must include in its annual report and accounts the information in ■ LR 9.8.6R (5), ■ LR 9.8.6R(6), ■ LR 9.8.6R(8) to ■ (11) and ■ LR 9.8.8R.

- 9.8.7A** **R**
- (1) An *overseas company* with a *premium listing* must comply with ■ DTR 7.2 (Corporate governance statements) as if it were an *issuer* to which that section applies.
 - (2) An *overseas company* with a *premium listing* which complies with ■ LR 9.8.7 R will be taken to satisfy the requirements of ■ DTR 7.2.2 R and ■ DTR 7.2.3 R, but must comply with all of the other requirements of ■ DTR 7.2 as if it were an *issuer* to which that section applies.

Report to shareholders

9.8.8 **R** The report to the shareholders by the Board required by ■ LR 9.8.6R (7) must contain details of the unexpired term of any *director's* service contract of a *director* proposed for election or re-election at the forthcoming annual general meeting, and, if any *director* proposed for election or re-election does not have a *directors'* service contract, a statement to that effect.

Information required by law

9.8.9 **G** The requirements of ■ LR 9.8.6R (6) relating to corporate governance are additional to the information required by law to be included in the *listed company's* annual report and accounts.

Auditors report

9.8.10 **R** A *listed company* must ensure that the auditors review each of the following before the annual report is published:

- (1) ■ LR 9.8.6R (3) (statements by the *directors* regarding going concern and longer-term viability); and
- (2) the parts of the statement required by ■ LR 9.8.6R (6) (corporate governance) that relate to Provisions 6 and 24 to 29 of the *UK Corporate Governance Code*.

9.8.11 **R** [deleted]

9.8.12 **R** [deleted]

Strategic report with supplementary information

9.8.13 **R** Any strategic report with supplementary information provided to shareholders by a *listed company* as permitted under section 426 of the Companies Act 2006, must disclose:

- (1) earnings per share; and
- (2) the information required for a strategic report set out in or under the Companies Act 2006 and the supplementary material required under section 426A of the Companies Act 2006.