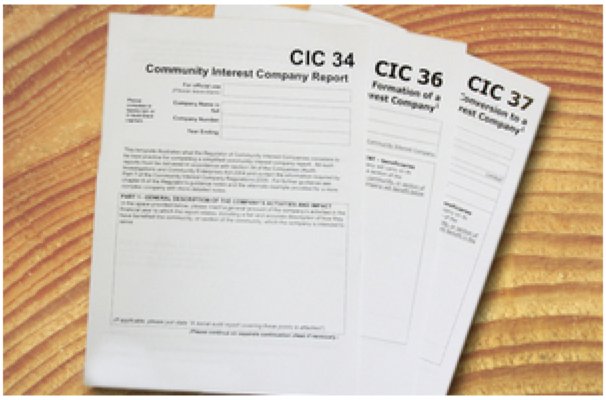
News story: CIC Directors Remuneration

CIC Directors Remuneration – GOV.UK

The Government is proposing to make incidental changes, as part of secondary legislation, to implement Corporate Governance reforms later this year:



The Government is proposing to make incidental changes, as part of secondary legislation, to implement Corporate Governance reforms later this year:

1. The Government's objective is to ensure that small Community Interest Companies (CICs) continue to report on Director remuneration (pay as well as other benefits).

2. Although CICs can make and distribute a share of profit, they have a higher duty of transparency than private companies to satisfy their regulatory "community interest test". Reporting remuneration is important for ensuring the community interest test is met. It has long been accepted practice and satisfies CIC regulatory corporate governance requirements.

3. The Accounting Directive restricted the disclosures required of small companies and removed the obligation for small companies to report on Directors' remuneration. The transposition of the Accounting Directive therefore inadvertently created a gap by removing Schedule 3 of the Small Accounts Regulations 2008 in relation to reporting remuneration of directors when a CIC is a small company. The amendments restore the requirement for Directors of small CICs to report on their remuneration (pay as well as other benefits). Directors of large CICs will be unaffected by this requirement.

The Regulator of Community Interest Companies (CICs) maintains an expectation that CICs continue to provide remuneration information on their Annual Report

(CIC34) for the maintenance of confidence in CICs, as a CIC must satisfy the community interest test. Within the Regulator’s functions is the power to investigate the affairs of a CIC and, if it appears that a CIC is not satisfying the community interest test, the Regulator can take enforcement action. One way in which a CIC might be revealed as not satisfying the community interest test is if it is paying an unreasonable level of remuneration to its directors.

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