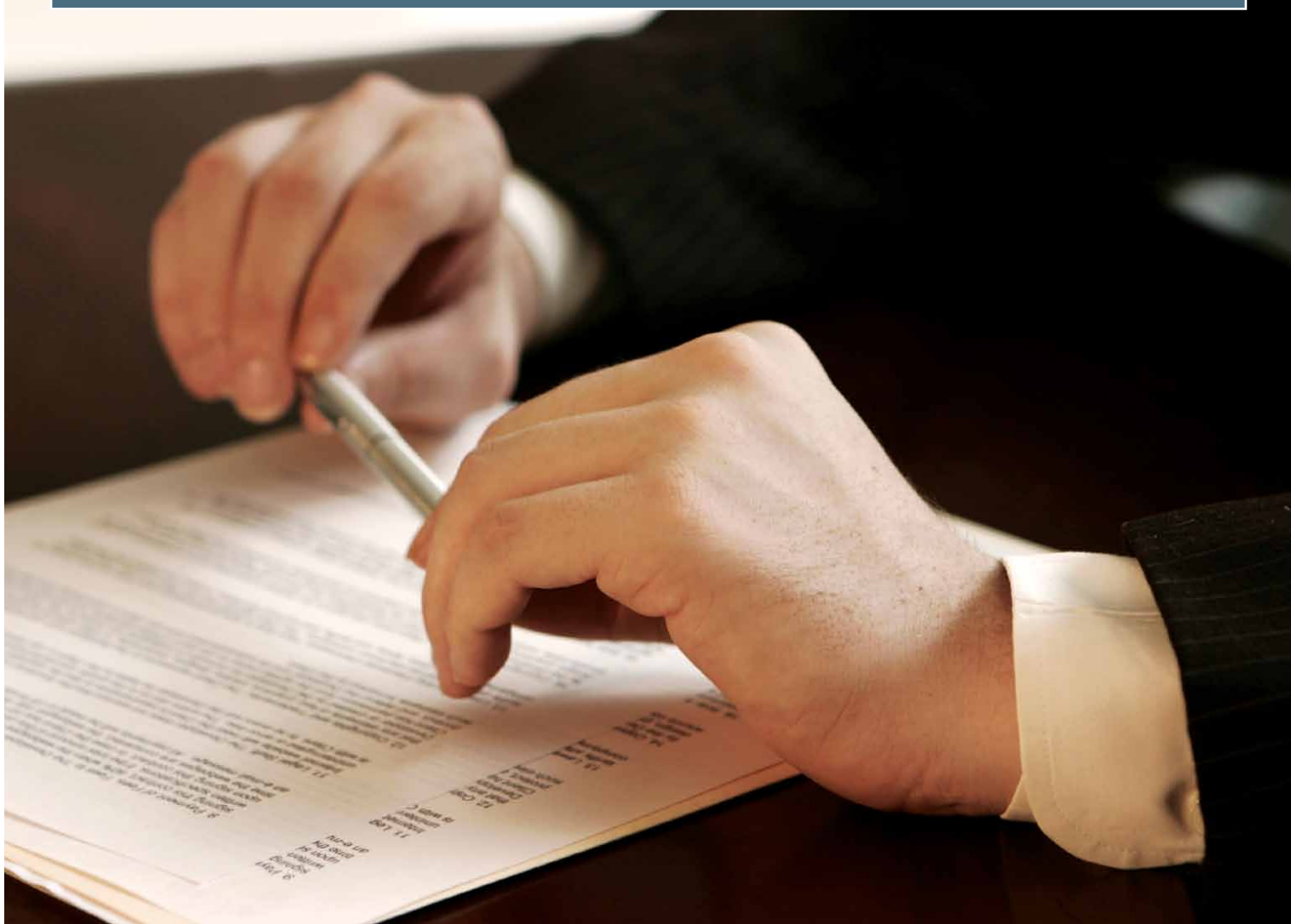


LIFE IN THE BOARDROOM

2010 CHAIRMAN & NON-EXECUTIVE DIRECTOR SURVEY



Directorbank
Group

A leading source of board directors



Directorbank

mm&k

INDEPENDENT
REMUNERATION
SOLUTIONS

CONTENTS

Section 1	Executive Summary	Page 3
Section 2	Introduction	Page 4
Section 3	Fees	Page 5
Section 3.1	Chairmen	Page 5
Section 3.2	Non-Executive Directors	Page 7
Section 3.3	Committee Work and Fees	Page 8
Section 3.4	Shares, Share Options and Ownership	Page 9
Section 3.5	Data from Annual Reports	Page 11
Section 3.6	Terms of Engagement	Page 14
Section 4	Time Spent and Activities	Page 15
Section 5	Topical Issues	Page 19
Section 6	Board Effectiveness and Review	Page 21
Section 7	The Appointments Procedure	Page 29
Section 8	Executive Remuneration	Page 31
Section 9	Quotes from Questionnaire Respondents	Page 35
Section 10	Life in the Boardroom - Review of 2009 by Peter Waine, Director, Hanson Green	Page 38
Section 11	Sample Composition	Page 40

1.

EXECUTIVE SUMMARY

Welcome to our 20th annual Chairman and Non-Executive Director Survey. We thank all of the 442 directors - 290 chairmen and 152 non-executive directors - who have contributed to the survey. They provided data on 1,170 appointments on main market, AIM and private company boards, across all sectors.

Remuneration and time commitment

- **Chairmen:** Average fees are around 10% higher than last year. Time commitment varies considerably and averages 1 day per week – more for the largest companies and less for smaller companies. For listed companies the median fee rates (including fees paid in shares) work out at around £1,600 per day – again more for the larger companies and less for smaller companies. Fees for private companies are significantly less with a median of £1,100 per day.
- **Non-executive directors:** Average fees are also around 10% higher than last year. Median fee rates for NEDs for listed companies work out at around £1,500 per day (more for bigger companies and less for smaller ones). Fees for private companies are, again significantly less at around £1,000 per day. The average time commitment is 2 days per month, slightly less for smaller companies and more for larger companies.
- Many of you think shares and/or options should form part of the remuneration package for non-executive directors.
- **For both chairmen and non-executive directors:** Fees per day work out as much lower than that of executive management, external consultants, accountants and lawyers.
- Remuneration is not felt to be adequate for the time commitment and risk in listed companies, according to many respondents.

The appointments process

- The use of search consultants to recruit new independent chairmen and NEDs has increased. 76% of large companies use search firms, and more than 50% of companies whose turnover is between £30m and £1,000m use search firms to source NEDs, a substantial increase compared to five years ago.
- Competence and credible experience are more critical than political correctness in selecting non-executives. Only 43% think the appointment of women to the board should be encouraged more.
- There are plenty of candidates willing to take on non-executive roles.

Board effectiveness

- 78% of main market listed boards are rated as fully effective by the directors who serve on them, and 21% as partially effective.
- The directors of approximately one-third of AIM listed companies (34%) and private companies (35%) rate their boards as only partially effective.
- Chairmen are still rating their boards as more effective than NEDs are. Whilst we expect the chairmen to paint a slightly rosier view, the difference is an area of concern and suggests some chairmen might be complacent or over confident.
- Board effectiveness reviews have now become an accepted part of life in the boardroom. Most companies opt to conduct an internal review.

Other key findings

- 80% of companies think the credit crunch has had a detrimental effect on their business. Most (60%) are paying more attention to risk, with 39% the same and 1% less.
- Most executive directors think pay levels are about right, but there is a very wide range of views on many other key Remuneration Committee issues. Only 15% think that guaranteed bonuses are essential. The variety of views suggests that gaining consensus within the Remuneration Committee will be challenging.
- Most favour the publication of fees paid to remuneration consultants in listed companies. Only 11% were against this.

2. INTRODUCTION

The survey was completed by 290 chairmen and 152 others with non-executive directorships.

Background Information	Number in survey	Average number of Chairman roles	Total number of Chairman roles	Average number of NED roles	Total number of NED roles (where not Chairman)	All Directorships	
						Average	Total in survey
CHAIRMAN (ie. at least one Board Chairmanship role)	290	1.6	471	1.4	394	3.0	865
NED (i.e. with no Board Chairmanship roles)	152	NA	NA	2.0	305	2.0	305
Totals	442	1.6	471	1.6	699	2.6	1170

The 290 chairmen in our survey held an average of 1.6 chairman roles and 1.4 non-executive directorships. The average chairman spends 39 days p.a. per chairman role and spends 26 days p.a. on each of their non-executive roles; hence the average time commitment is 99 days per year and their average fees from all their directorships combined is £131,000.

The 152 non-executives who are not chairman in our survey held an average of 2 roles. They spend an average 25.6 days p.a. per non-executive role and so their average time commitment is 51 days per year; and their average non-executive director fees from all their directorships combined is £57,000.

The survey results for non-executive directors have been compiled from 442 respondents:

- The 290 chairmen who also hold 394 other non-executive directorships.
- The 152 other non-executive directors in our survey (i.e. those who are not also a chairman of any company), and who hold an average of 2.0 non-executive director appointments each.

The results for “non-executives” are based on responses covering 699 companies in total.

This highlights one of the areas where this survey differs from those completed by company secretaries or others on behalf of non-executive directors. In our view, most of those studies underestimate the amount of time taken by non-executive directors on contact with fellow directors, whether it is face to face or on the phone or, increasingly, by email.

Further details of the survey sample size and composition are in Section 11, page 40.

3. FEES

3.1 FEES - CHAIRMAN

Fees are usually linked to the time spent, company size, sector, risk and other company specific factors. First our survey shows fee levels broken down by company size and sector. (Analysis of time spent is in Section 4, page 15).

CHAIRMEN Total Annual Fees in £000 (inc Shares)	Turnover £M										
	Up to 10		11 to 30		31 to 100		101 to 300		301 to 1,000		1,001 +
	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed
Upper Quartile	40	39	60	45	73	75	109	100	175	150	205
Median	30	24	50	35	60	51	93	73	145	113	164
Average	40	33	60	43	68	78	96	97	149	166	162
Lower Quartile	20	13	25	28	50	35	59	59	110	100	129
Sample Size	33	158	23	45	27	58	16	20	15	5	6

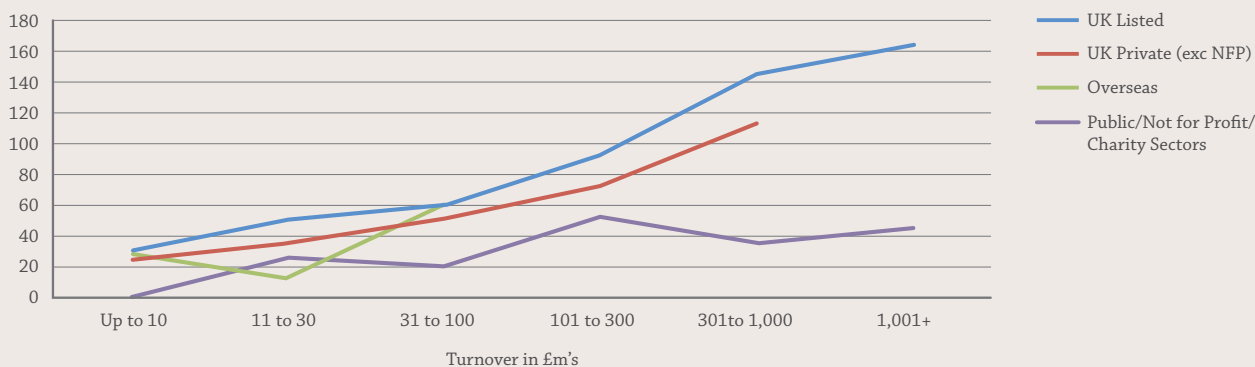
*NFP = Not for Profit/Charity/Public Sector

Note: Upper Quartile means 25% of companies are above this. Lower Quartile means 25% of companies are below this.

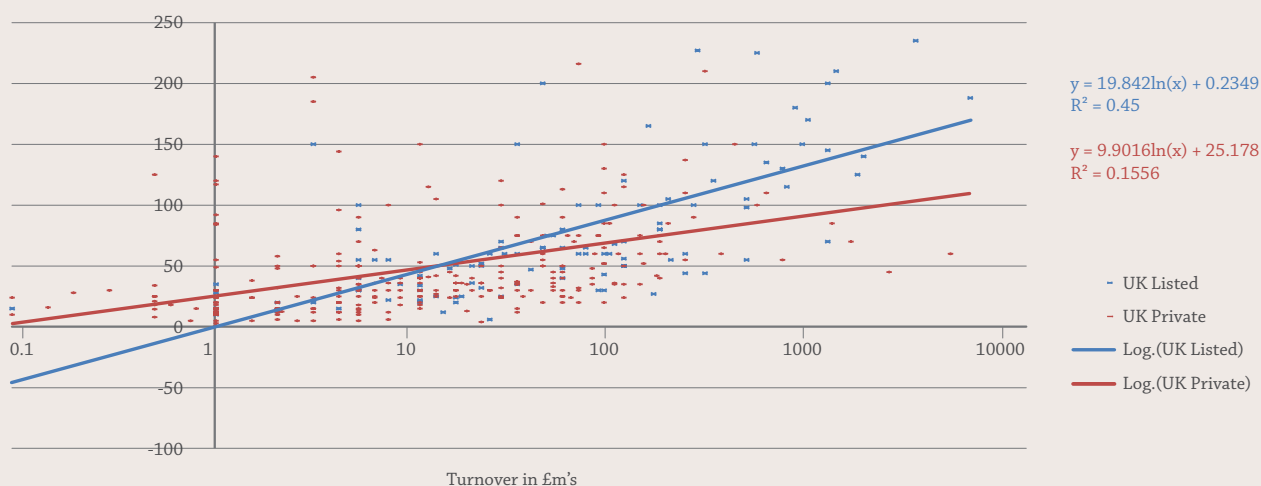
Fees paid increase by the size of the company. Listed companies pay substantially higher fees than unlisted companies. The Public Sector is paying substantially less than listed companies; and for many small public sector organisations no fees are paid. We suspect this is an area for concern – it is difficult to insist on the highest standards of competence, contribution, conduct and performance when directors are not paid a fair reward. If people are paid fairly then they expect to be held to account. With increasing pressure on costs and value for money in the Public Sector, this problem can only grow.

The Overseas line is a bit wobbly. There are some quite small sample sizes, so the data indicates a general trend rather than a precise statement of market practice.

Comparison of Median Fees £000s - Chairmen



Chairman - Total Annual Fees (inc Shares) in £000s



The scattergram illustrates the very wide range of practice in fees for Chairmen, particularly in the private sector ($R^2=0.16$ versus 0.45). For listed companies the formula will allow the mathematically inclined reader to compute the median fee, who will note the logarithmic x axis scale which produces a straight line graph!

The wide variety of practice suggests that fee levels do not reflect a well ordered economic market and that candidates and companies should negotiate hard over fee levels on appointment.

Fees appear to be around 10% higher than last year on average. This is consistent with the long term trend data for listed companies, shown on page 13. Quite a number of companies have not made any increases, so it would appear others have given quite substantial increases: in addition we suspect that new appointees are able to negotiate higher fees than their predecessors.

DAILY RATES FOR CHAIRMEN

The data indicates that for listed and AIM listed companies the daily rate for a chairman is around £1,100 to £1,700 for smaller companies and £2,000 to £3,000 for larger companies. For unlisted companies, the rates are lower. However, in such companies it is more likely that the chairmen will have a stake in the business and be compensated partly through their equity interests. Some chairmen are paid quite a lot and this is why the averages and upper quartiles in the smaller turnover categories are much higher than the median figures.

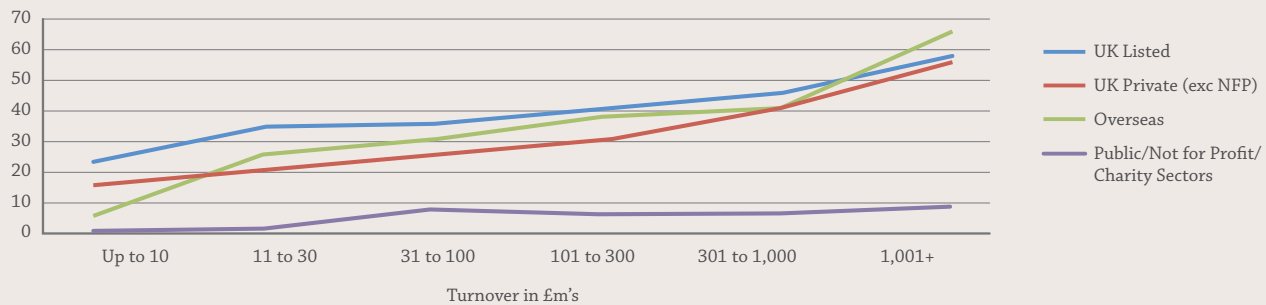
CHAIRMEN Daily Rate in £ Total Fees (inc Shares)	Turnover £M											
	Up to 10		11 to 30		31 to 100		101 to 300		301 to 1,000		1,001 +	
	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)
Upper Quartile	2,308	1,299	1,946	1,750	2,413	2,188	2,232	3,083	3,591	3,000	3,418	1,895
Median	1,154	833	1,250	1,200	1,613	1,311	1,726	1,765	2,632	2,500	2,752	1,789
Average	1,785	1,231	1,645	1,568	1,780	1,758	1,789	2,460	2,890	15,567	2,651	1,485
Lower Quartile	739	487	813	814	1,064	881	1,410	1,538	1,861	2,260	1,962	1,228

3.2 FEES - NON-EXECUTIVE DIRECTORS

NED Total Annual Fees in £000 (inc Shares)	Turnover £M											
	Up to 10		11 to 30		31 to 100		101 to 300		301 to 1,000		1,001 +	
	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)
Upper Quartile	30	25	40	25	50	30	44	45	55	50	86	65
Median	23	15	34	20	35	25	40	30	45	40	57	55
Average	27	17	37	25	38	27	41	42	48	43	68	51
Lower Quartile	18	8	30	12	30	14	35	25	39	30	45	48
Sample Size	46	122	17	39	37	35	46	35	42	13	31	13

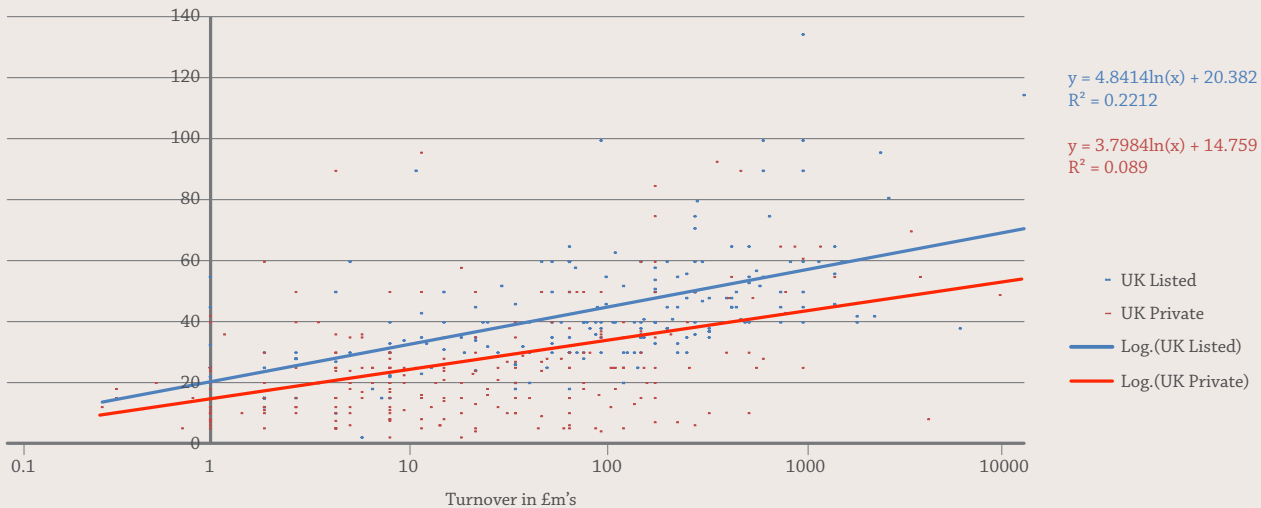
*NFP = Not for Profit/Charity/Public Sector

Comparison of Median Fees £000s - NED



Fee rates are substantially higher in listed than private companies where there is less risk. In some cases, share ownership and share options in private companies can compensate to some degree for lower basic fees.

NED - Total Annual Fees (inc Shares) in £000s



The above graph shows very clearly that there is little correlation between turnover and fees, particularly in the private company data. This suggests the market is not a perfect market by any means and potential NEDs should negotiate their remuneration package assertively on appointment.

Fees appear to be around 10% higher than last year, on average. This is above the long term trend data for listed companies, shown on page 13. Quite a number of companies have not made any increases, so it would appear others have given quite substantial increases: in addition we suspect that new appointees are able to negotiate higher fees than their predecessors.

DAILY RATES FOR NON-EXECUTIVE DIRECTORS

In listed companies, the median daily rates are around £1,300 per day for smaller companies and £1,800 per day for larger companies, fees paid by private companies start at approximately 65% of the fees for equivalent sized listed companies and then steadily rise up to nearly 90% for the larger companies.

NED Daily Rate in £ Total Fees (inc Shares)	Turnover £M											
	Up to 10		11 to 30		31 to 100		101 to 300		301 to 1,000		1,001 +	
	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)	UK Listed	UK Private (exc NFP*)
Upper Quartile	1,883	1,209	1,600	1,068	1,750	1,893	2,000	1,802	2,250	2,292	3,507	2,087
Median	1,268	800	1,292	769	1,364	1,080	1,589	1,167	1,751	1,116	1,800	1,694
Average	1,550	976	1,434	883	1,482	1,441	1,732	1,659	1,935	1,474	2,505	1,822
Lower Quartile	1,018	315	865	542	1,000	833	1,203	791	1,387	833	1,492	1,327

Daily rates are now only a rather modest 10% higher than in 2002 before the Higgs review was published.

Per diem fee rates for non-executive directors and chairman have fallen well behind the total remuneration levels of CEOs. The average CEO of a FTSE100 company receives £3.96 million total remuneration (source MM&K/Manifest Executive Directors Total Remuneration Survey September 2009 edition). This equates to £17,500 per day - compared to the typical rates of £2,000 to £3,000 for non-executive directors and chairmen. An average FTSE mid 250 CEO receives approximately £4,500 per day.

3.3 FEES - COMMITTEE WORK AND FEES

337 Audit Committee Chairmen and 294 Remuneration Committee Chairmen provided data on time spent and fees in respect of these committees. We also received data from 370 Audit Committee members and 294 Remuneration Committee members.

In most cases the chair and members do not receive any additional fees. For those who receive additional fees the average figures are, in £:

Average Fees for specific Committee work in £'s	Turnover £M						
	All Companies	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
Audit Chair	7,238	7,542	3,429	5,571	7,524	8,385	8,933
Audit Member	6,506	3,400	5,000	5,250	4,500	7,778	8,909
Rem Chair	6,194	5,400	5,667	5,500	5,625	6,000	7,750
Rem Member	4,450	*	3,000	4,250	4,167	4,571	4,600

*Small sample size so data omitted

3.4 FEES - SHARES, SHARE OPTIONS AND OWNERSHIP

15% of Chairmen and 10% of non-executive directors receive part of their fees in shares. For those paid partly in shares, the amounts are usually significant, the median approach being that the value of shares representing fees are roughly equal to the amount paid in cash. For companies with less than £10m turnover the median chairman receives 70% of his fee in shares and for non-executive directors 60%.

Chairman Fees Paid in Shares £000	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
% of Chairmen paid some Fees in Shares	17%	9%	16%	10%	18%	0%
Upper Quartile	50	50	75	163	138	
Median	26	25	50	105	37	
Average	45	36	89	103	123	
Lower Quartile	20	13	20	45	22	

NED Fees Paid in Shares £000	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
% of NEDs paid some Fees in Shares	11%	12%	6%	7%	9%	11%
Upper Quartile	30	25	69	55	26	50
Median	15	25	40	30	18	16
Average	19	28	47	59	18	29
Lower Quartile	5	8	23	10	9	6

16% of Chairmen and 12% of non-executive directors have options in their company. Of those that did, the Chairman receives around 2% of the company under option and for non-executives the average percentage is 1%.

Chairman - % of Company Under Option	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
% of Chairmen Awarded Some Options	18%	22%	15%	5%	9%	0%
Upper Quartile	3.0%	2.5%	1.6%			
Median	1.0%	0.6%	0.3%	1.0%	0.1%	
Average	2.6%	1.3%	1.0%			
Lower Quartile	0.3%	0.1%	0.0%			

Note: Quartiles and averages omitted where small sizes

NED - % of Company Under Option	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
% of NEDs Awarded Some Options	12%	15%	8%	4%	5%	6%
Upper Quartile	2.0%	0.8%	0.7%	0.7%	1.3%	0.0%
Median	1.0%	0.2%	0.2%	0.4%	0.0%	0.0%
Average	3.0%	0.6%	1.3%	0.5%	1.3%	0.0%
Lower Quartile	0.1%	0.1%	0.1%	0.2%	0.0%	0.0%

60% of chairmen and 40% of non-executive directors own part of their company. In companies with less than £10 million turnover the median chairman stake is 5%, but this drops to 0.2% for large companies. However, there is a wide range of practices.

Chairman % of Company Owned	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
% of Chairmen reporting some ownership	61%	60%	68%	67%	77%	55%
Upper Quartile	20.0%	10.0%	5.0%	4.8%	1.5%	0.5%
Median	5.0%	3.2%	2.0%	1.5%	0.7%	0.2%
Average	19.1%	11.1%	8.1%	3.2%	6.6%	0.3%
Lower Quartile	2.5%	1.0%	1.4%	0.7%	0.2%	0.1%

For non-executive directors, in companies with less than £10 million turnover, the median stake is 5%, but this drops to 0.1% for large companies. However, there is again a wide range of practices.

NED % of Company Owned	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
% of NEDs reporting some ownership	42%	32%	38%	33%	44%	46%
Upper Quartile	20.0%	2.3%	2.2%	1.1%	0.2%	0.2%
Median	5.0%	1.1%	1.0%	0.2%	0.1%	0.1%
Average	14.9%	3.1%	2.5%	2.3%	1.5%	2.4%
Lower Quartile	1.0%	0.8%	0.3%	0.1%	0.0%	0.0%

The prevalence of options in AIM companies is much higher. We find that many NOMADS fail to appreciate where companies are coming from when considering a move to AIM and far too often cite the Combined Code guidance that options and geared incentives are not appropriate for non-executives and that large shareholdings compromise individual's independence.

The survey results show that significant shareholdings in AIM and private companies are commonplace. This data can be used by companies to explain that their approach is not uncommon and why they are not compliant with the Combined Code.

3.5 FEES - DATA FROM ANNUAL REPORTS

Detailed data on fees from published accounts are shown below. This data in this section is based on accounts for year ends up to October 2009. In many cases the data is for financial year ends December 2008. The data above is based on survey respondents of their current fees and time commitments in October/November 2009 when they completed the questionnaire. In drafting the commentary we have been careful in our use of tenses to identify the differences in the data sources and its contemporaneity.

The “SID plus” definition” means that the senior non-executive director is also the deputy chairman and the “SID minus” group consists of those who do not carry this responsibility. We have split out the nomination committee chairman figures between those who are also company chairman and those who are not. “Pure” NEDs are those who do not have committee duties and are not the deputy chair or SID.

Overall, fees for non-executive directors of FTSE 100 companies have increased by 7% for the chairman and 5% for NEDs over the last year. The median increase is about 2% for smaller companies, with larger increases for AIM and fledgling companies. The longer term trends are shown on page 13.

The tables below show the median and quartile fees for chairmen and non-executive directors. In each case the figures are shown on an inclusive basis so that the figures of, for instance, the chairmen of the remuneration committee include all their fees.

FTSE100	Lower Quartile (£)	Median (£)	Upper Quartile (£)
Chairman	228,000	323,000	492,500
Deputy Chair	115,000	155,000	194,422
SID+	64,000	85,000	110,000
SID-	62,125	77,650	95,000
Audit Chair	65,000	83,000	96,250
Nom Chair (excl. Chairs)	76,141	92,000	162,500
Rem Chair	65,000	78,000	107,500
Audit Member	56,000	70,000	96,475
Nom Member	60,000	72,000	96,000
Rem Member	57,000	74,500	104,000
All NEDs	60,000	80,000	111,511
Pure NEDs	62,213	84,237	100,658

FTSE250	Lower Quartile (£)	Median (£)	Upper Quartile (£)
Chairman	63,750	125,000	171,541
Deputy Chair	50,000	64,000	88,000
SID+	41,500	50,000	60,000
SID-	40,250	48,500	58,750
Audit Chair	36,250	45,000	56,000
Nom Chair (excl. Chairs)	33,375	47,190	63,500
Rem Chair	40,000	45,121	55,000
Audit Member	30,000	40,000	50,000
Nom Member	35,000	44,000	52,219
Rem Member	38,000	45,000	59,750
All NEDs	34,817	44,000	60,000
Pure NEDs	22,500	35,000	43,250

SmallCap	Lower Quartile (£)	Median (£)	Upper Quartile (£)
Chairman	26,000	46,500	100,000
Deputy Chair	30,000	37,500	48,000
SID+	22,875	35,500	42,000
SID-	22,000	35,000	42,000
Audit Chair	20,000	33,859	40,000
Nom Chair (excl. Chairs)	18,938	32,500	40,000
Rem Chair	29,000	36,000	43,238
Audit Member	18,000	25,500	37,000
Nom Member	19,000	30,000	40,000
Rem Member	25,500	35,000	45,500
All NEDs	20,000	30,000	40,000
Pure NEDs	16,625	24,365	34,000

Fledgling	Lower Quartile (£)	Median (£)	Upper Quartile (£)
Chairman	25,000	39,500	75,250
Deputy Chair	15,638	34,000	44,500
SID+	22,000	30,000	37,250
SID-	24,000	30,000	37,000
Audit Chair	20,000	28,000	35,375
Nom Chair (excl. Chairs)	24,000	30,000	40,000
Rem Chair	25,000	30,000	36,000
Audit Member	17,500	24,188	35,000
Nom Member	18,000	25,000	35,000
Rem Member	20,000	30,000	40,000
All NEDs	18,000	26,000	36,113
Pure NEDs	13,750	16,500	24,731

Note: this analysis included 117 Fledgling companies and 206 AIM companies.

AIM	Lower Quartile (£)	Median (£)	Upper Quartile (£)
Chairman	36,500	53,000	70,000
Deputy Chair	26,370	33,454	48,750
SID+	25,000	32,718	45,000
SID-	25,000	30,000	40,000
Audit Chair	25,000	30,250	41,000
Nom Chair (excl. Chairs)	24,880	30,000	50,000
Rem Chair	24,970	31,000	45,724
Audit Member	23,101	32,088	48,400
Nom Member	25,000	33,253	44,888
Rem Member	22,000	30,523	45,000
All NEDs	22,500	31,000	45,158
Pure NEDs	19,416	27,000	34,627

The following tables show the % increases of the latest annual report data versus the previous year (note, the analysis includes only those incumbents who were directors in both years).

CHAIRMAN	FTSE100	FTSE250	SmallCap	Fledgling	AIM
Lower Quartile	0%	0%	0%	0%	0%
Median	7%	5%	3%	0%	5%
Average	10%	10%	12%	4%	18%
Upper Quartile	12%	13%	13%	7%	30%

NON-EXECUTIVE DIRECTORS	FTSE100	FTSE250	SmallCap	Fledgling	AIM
Lower Quartile	0%	0%	0%	0%	0%
Median	6%	6%	2%	0%	9%
Average	15%	9%	9%	10%	22%
Upper Quartile	24%	14%	12%	8%	31%

The tables below highlight the changes in median salary for chairmen, "All NEDs" and "Pure NEDs" for the period of 2005 to 2009. The 2009 increases have been lower than the historic trend.

Median Fees							
FTSE100	2005	2006	2007	2008	2009	% Increase in Median 05 to 09	Annualised 05 to 09 p.a.
Chairman	222,500	250,000	273,000	300,000	323,000	45%	10%
All NEDs	55,000	60,000	64,161	75,000	80,000	45%	10%
FTSE250	2005	2006	2007	2008	2009	% Increase in Median 05 to 09	Annualised 05 to 09 p.a.
Chairman	100,000	105,000	110,000	120,000	125,000	25%	6%
All NEDs	27,500	36,000	40,000	41,000	44,000	60%	12%
SmallCap	2005	2006	2007	2008	2009	% Increase in Median 05 to 09	Annualised 05 to 09 p.a.
Chairman	46,000	48,000	50,000	50,000	46,500	1%	0%
All NEDs	25,000	26,000	27,000	27,500	30,000	20%	5%
Fledgling	2005	2006	2007	2008	2009	% Increase in Median 05 to 09	Annualised 05 to 09 p.a.
Chairman	18,563	28,250	25,760	30,000	39,500	113%	21%
All NEDs	13,500	18,500	19,500	23,500	26,000	93%	18%
AIM	2005	2006	2007	2008	2009	% Increase in Median 05 to 09	Annualised 05 to 09 p.a.
Chairman	30,671	35,000	35,779	40,000	53,000	73%	15%
All NEDs	20,000	22,000	24,000	25,181	31,000	55%	12%

* Note: We investigated the data for SmallCap chairmen and feel the 2008 data may have produced a statistical anomaly, so have used £50,000 in the above table rather than the £38,750 which is the median of the sample data.

Note re sample sizes: Below we show the numbers of NEDs that were included in the analysis last year and this year.

No. of NEDs included in the Analysis	FTSE100	FTSE250	SmallCap	Fledgling	AIM
2007	590	969	1,105	414	733
2008	561	1,003	1,053	353	749
2009	577	1,092	971	371	581
% Change from 07 to 09	-2%	12%	-13%	-12%	-20%
Number of companies - 2009	100	250	254	117	206
av. NEDs per company	5.8	4.4	3.8	3.2	2.8

The number of non-executive directors on the boards of FTSE 100 companies is 5.8 NEDs per company. FTSE250 companies have increased their numbers of non-executive directors by 12% (from 3.9 to 4.4 NEDs per company) from 2007 to 2009.

3.6 FEES - TERMS OF ENGAGEMENT

The vast majority of NEDs do have letters of appointment, but there are still significant numbers (14% of chairman and 19% of NEDs) who do not. Such letters are not, of course, contracts and non-executive directors can resign at any time they feel it is necessary to do so. Nevertheless, a well written letter of appointment should spell out what is expected from the NED. Almost all large companies do provide letters of appointment but a third of those with less than £10 million turnover do not.

In line with governance guidelines, most NEDs now sign three year agreements. Somewhat concerning is that many smaller companies are not following good practice - they need to sharpen up their act - they need to be professional.

The Combined Code now recommends 3 years. It is therefore surprising that 3 years is not universal. However the data suggest best practice is trending to 3 years.

Despite worries of class actions, a huge majority think D&O cover is sufficient. This has decreased slightly from 87% overall in last year's survey, indicating slightly more concern this year.

D&O protection continues to be a problem for some smaller companies - they need to ensure proper cover is provided - we are surprised it is not.

Chairman - Is the D&O Protection Sufficient	Company Turnover £M						Overall
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+	
Total Number of Chairmen	220	77	92	39	22	11	461
Number saying Yes	164	69	84	39	22	11	389
% of Chairmen stating D&O Protection is sufficient	75%	90%	91%	100%	100%	100%	84%

NED - Is the D&O Protection Sufficient	Company Turnover £M						Overall
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+	
Total Number of NEDs	237	75	100	104	88	63	667
Number saying Yes	168	57	91	95	78	59	548
% of NEDs stating D&O Protection is sufficient	71%	76%	91%	91%	89%	94%	82%

OTHER BENEFITS

Only 16% of chairmen reported being in receipt of any other benefits, and only 9% of non-executive directors. Within this relatively small group there is a trend for other benefits to be less likely the larger the company size by turnover.

4.

TIME SPENT AND ACTIVITIES

CHAIRMEN

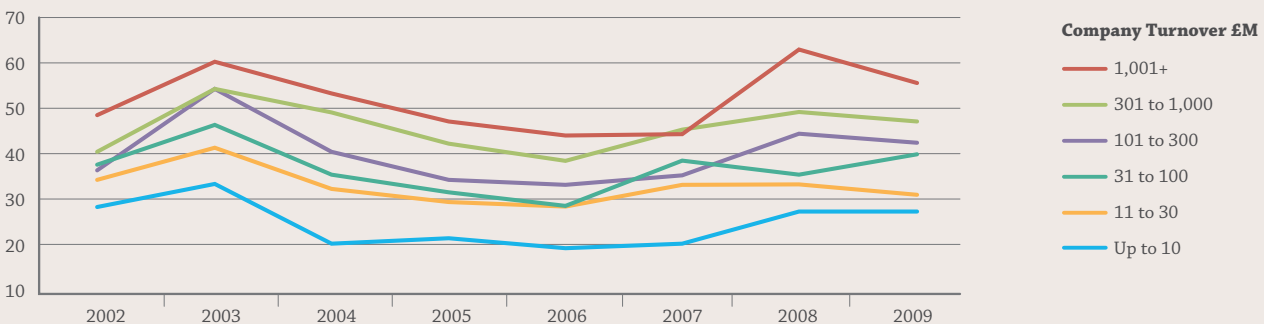
Our survey has very few of the FTSE30 companies whose chairmen are typically paid over £0.5 million a year for a 3 to 4 day a week time commitment. Our typical chairman does one day a week, although for a number of the large companies the commitment is as much as two days a week and for smaller companies with less than £30 million turnover ½ a day a week (i.e. c. 2½ days per month).

As is shown in the table below, the time commitment for larger companies tends to be greater than for smaller companies and the upper quartile tends to be twice as much as the lower quartile, which shows there is a large variation in time commitment. Chairmen considering new appointments need to clarify the time commitment that is expected by the company.

Chairman Number of Days	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
Upper Quartile	40	43	56	58	77	100
Median	27	31	40	42	47	55
Average	32	36	47	51	56	72
Lower Quartile	19	23	28	35	39	40

The time commitment peaked in 2008, with the credit crunch and liquidity crisis requiring extra meetings and time. In 2009, the time required for most Chairmen has reduced slightly.

Chairmen - Median Days Per Year



The changes inspired by Higgs have now bedded in. The average number of board sub-committee meetings, particularly audit and remuneration, has continued to rise. Particularly in smaller companies, board committees and board meetings are often scheduled on the same day. This reduces the total time required. The time commitment is, not surprisingly, greater in larger companies, with significantly more telephone and informal contact. The table below shows, based on respondents' replies, how a chairman typically spends his time. It is noticeable how much more time is spent on committee work in larger companies. The role of the chairman and how he/she fulfils it is significantly different to that of a smaller company, where in many cases the role is primarily that of running the board meetings.

Analysis of How Chairmen Spend Their Time

Chairman Median Number of Days -	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
Board Meetings (inc preparation)	37%	34%	30%	29%	27%	19%
Strategy, planning and other meetings	9%	8%	10%	10%	7%	4%
Formal Meetings Total	46%	42%	41%	38%	34%	23%
Telephone & informal contact	15%	17%	23%	20%	18%	16%
External contact on behalf of company	12%	11%	10%	12%	10%	13%
Preparation and Contact Total	28%	28%	33%	32%	27%	29%
Audit	6%	6%	5%	5%	7%	5%
Remuneration	3%	6%	5%	5%	5%	6%
Nominations	3%	3%	3%	2%	4%	5%
Other committees of the board	0%	0%	0%	4%	0%	8%
Sub Committee Meetings & Preparation Total	12%	14%	13%	15%	16%	25%
Plant and divisional visits and research	6%	7%	10%	12%	9%	7%
Other	8%	8%	4%	2%	14%	16%
TOTAL	100%	100%	100%	100%	100%	100%
Median Number of Total Days	27	31	40	42	47	55

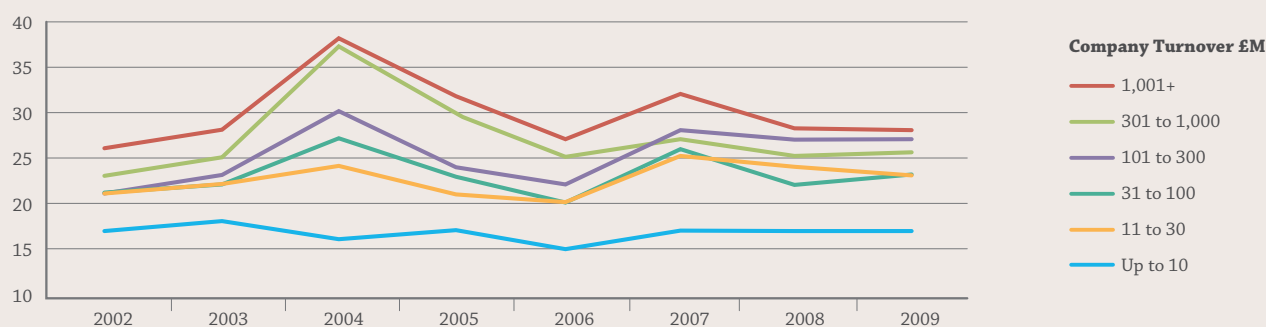
NON-EXECUTIVE DIRECTORS

The following table shows the median, average and quartile spread of days worked. Not surprisingly, the very smallest companies require less time and the very largest more time:

NED Number of Days	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
Upper Quartile	27	31	30	34	34	37
Median	17	23	23	27	26	28
Average	21	29	25	29	27	31
Lower Quartile	10	17	16	20	18	20

As with chairmen, Higgs impacted the time demands on NEDs. We suspect the extra time commitment since 2006 reflects an increased emphasis on risk and the pressures arising from the credit crunch liquidity crisis.

Non-Executive Directors - Median Days Per Year



We also asked respondents for a detailed breakdown of how they spend their time. Committee work takes up significantly more time, particularly in larger companies.

Analysis of How Non-Executive Directors Spend Their Time

NED Median Number of Days –	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
Board Meetings (inc preparation)	38%	43%	38%	39%	43%	38%
Strategy, planning and other Meetings	13%	9%	8%	6%	8%	8%
Formal Meetings Total	50%	52%	46%	45%	51%	45%
Telephone & informal contact	19%	13%	12%	10%	12%	11%
External contact on behalf of company	13%	9%	8%	6%	4%	6%
Preparation and Contact Total	31%	22%	19%	16%	16%	17%
Audit	6%	9%	12%	13%	12%	15%
Remuneration	6%	4%	8%	6%	8%	8%
Nominations	0%	0%	4%	3%	4%	4%
Other committees of the board	0%	4%	0%	3%	0%	4%
Sub Committee Meetings & Preparation Total	13%	17%	23%	26%	24%	30%
Plant and divisional visits and research	0%	9%	8%	10%	8%	8%
Other	6%	0%	4%	3%	0%	0%
TOTAL	100%	100%	100%	100%	100%	100%
Median Number of Total Days	17	23	23	27	26	28

Committee work tends to take 2 to 4 days per committee for most companies but is significantly more time consuming in the very largest companies, particularly for the Chair of the Audit and Remuneration Committees.

The typical time spent is as follows:

Number of Days: Audit Committee		Company Turnover £M					
		Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
Chair	Upper Quartile	3.0	3.8	4.0	6.0	6.0	10.5
	Median	2.0	2.0	2.5	4.0	3.0	7.0
	Average	2.6	2.8	3.2	4.3	4.4	7.9
	Lower Quartile	1.0	1.0	2.0	2.0	2.0	4.0
Member	Upper Quartile	2.0	3.5	4.0	5.0	4.0	5.0
	Median	2.0	2.0	2.0	3.0	3.0	4.0
	Average	2.4	2.5	2.7	3.7	3.4	4.4
	Lower Quartile	1.0	2.0	2.0	2.0	2.0	2.0

Number of Days: Remuneration Committee		Company Turnover £M					
		Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
Chair	Upper Quartile	2.0	2.3	3.0	4.0	5.0	12.0
	Median	1.0	2.0	2.0	2.0	3.0	6.0
	Average	1.9	2.3	2.8	2.8	3.6	8.8
	Lower Quartile	1.0	1.0	1.0	1.0	2.0	4.0
Member	Upper Quartile	2.0	3.0	3.0	3.0	4.0	5.0
	Median	1.0	2.0	2.0	2.0	2.0	3.0
	Average	1.9	2.3	2.3	2.5	2.6	3.6
	Lower Quartile	1.0	1.0	1.0	1.0	1.8	2.0

Number of Days: Nominations Committee		Company Turnover £M					
		Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
Chair	Upper Quartile	1.0	3.0	2.0	3.0	2.0	5.0
	Median	1.0	1.0	2.0	2.0	2.0	3.0
	Average	1.2	2.1	1.8	2.0	1.8	5.6
	Lower Quartile	1.0	1.0	1.0	1.0	1.0	1.3
Member	Upper Quartile	1.5	3.0	2.0	2.0	2.0	2.0
	Median	1.0	2.0	1.0	1.5	2.0	1.5
	Average	1.5	2.4	1.5	2.0	1.8	2.4
	Lower Quartile	1.0	1.0	1.0	1.0	1.0	1.0

5.

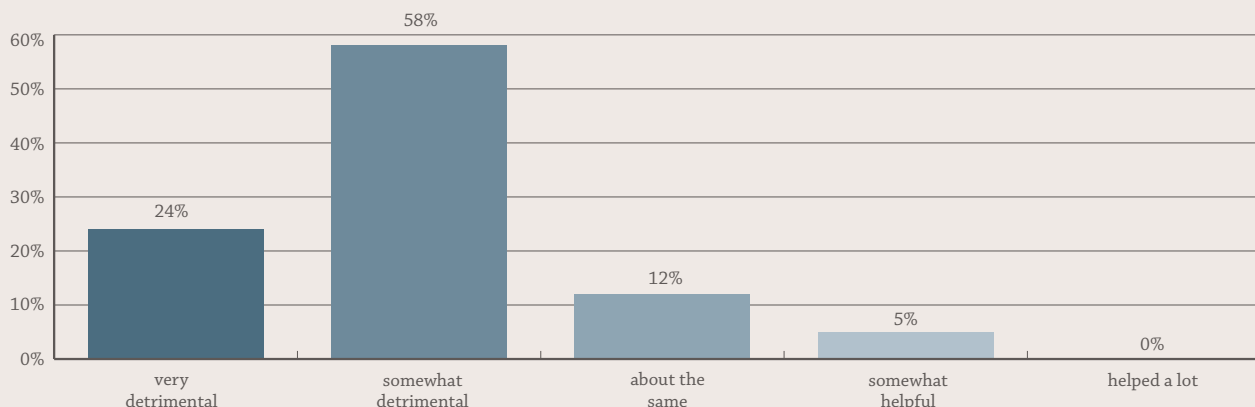
TOPICAL ISSUES

CREDIT CRUNCH

This year, the survey includes a number of questions on topical boardroom issues, asking how boards and their non-executives are reacting to the current business difficulties.

The credit crunch has been detrimental to over 80% of your businesses.

How has the “credit crunch” influenced your businesses?



This is a worrying though not altogether surprising result and is slightly worse than your views last year. We gather the survey answers in October and November, when in 2008 the full impact was not known.

MERGERS AND ACQUISITIONS

Mergers and acquisitions are expected to be more important to growth in the future according to those who answered “somewhat more” as opposed to those who thought that they would be less important. Chairmen were stronger in their viewpoint than non-executive directors.

Will acquisitions and mergers be less/more important to growth in the future?	Much More	Somewhat More	About the Same	Somewhat Less	A Lot Less
Respondants with at least one Board Chairmanship	6%	33%	46%	12%	3%
NEDs with no Board Chairmanships	7%	25%	53%	9%	6%

We were surprised to see such enthusiasm for acquisitions in view of:

- the track record (most studies show 60% or more of acquisitions destroy value for the acquirer)
- the current liquidity crisis and limited availability of funds for acquisitions.

RISK

60% of you are paying more attention to risk, 39% the same and 1% less. Last year the answers were 80%, 20% and nil respectively. Clearly risk is high on the Board agenda and increasingly so.

PRIVATE EQUITY INFLUENCE

40% of chairmen discussed the possibility of a takeover bid from a private equity firm or MBO, compared to only 28% of NEDs. The PE sector has been particularly hard hit by the reduced availability of credit which has limited their scope to make bids. This may be the reason for the relatively low percentages.

Only 9% admitted that the threat of a potential private equity bid had influenced the way the company is managed. One of the roles of non-executives is to challenge the business strategy and to ensure stretching targets are set. We would

have expected all companies to have considered the possibility of a takeover bid from a private equity firm and wonder if some boards are being complacent in this regard. All too often we read of business strategies only being changed after the announcement of a bid.

When the private equity firms read these statistics they will be licking their lips with anticipation! But perhaps the absence of PE finance may be the reason for this complacency. If one thinks there is no threat then it cannot influence their response. Interestingly when we last asked these questions two years ago, and the private equity industry was buoyant and booming, the answers were similar.

6.

BOARD EFFECTIVENESS AND REVIEW

Do you feel board meetings are fully, partially or not effective?

How effective are your Board Meetings?	Main Market	AIM	Private	Overseas owned or quoted
Fully	78%	66%	63%	48%
Partially	21%	34%	35%	48%
Not at all	0%	0%	2%	4%

This suggests that AIM, private and overseas owned companies need to work hard on their board effectiveness to achieve the same level of performance as fully listed companies.

Back in 2003, when we first asked this question, directors rated as fully effective over 90% of listed companies with more than £100 million of turnover. Now, only 78% of listed companies are rated as fully effective. We think this partly reflects a greater willingness for directors to criticise themselves and to acknowledge that their companies are not perfect. However, this decrease is a very worrying trend – boards of companies need to consider this issue and, if they are only partially effective, find ways to make their boards work better.

It was also notable that chairmen rated their board meetings as more effective than did the non-executive directors.

How effective are your Board Meetings?	Chairman	Deputy Chairman	SID	Other NED
Fully	75%	73%	67%	53%
Partially	25%	27%	29%	46%
Not at all	0%	0%	4%	2%

This can be explained partly by most chairmen painting a rosier picture and partly by the natural inclination to rate oneself higher than one's peer ratings. However, when we analysed the data by company size we found that in the larger companies the result was reversed with the chairman being tougher on their own assessment of their boards' effectiveness than were their non-executive directors.

% of Respondants Stating Board Meetings are "Fully Effective"	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
Chairmen	69%	50%	50%	50%	50%	50%
NEDs	54%	41%	51%	63%	60%	70%
Difference	16%	9%	-1%	-13%	-10%	-20%

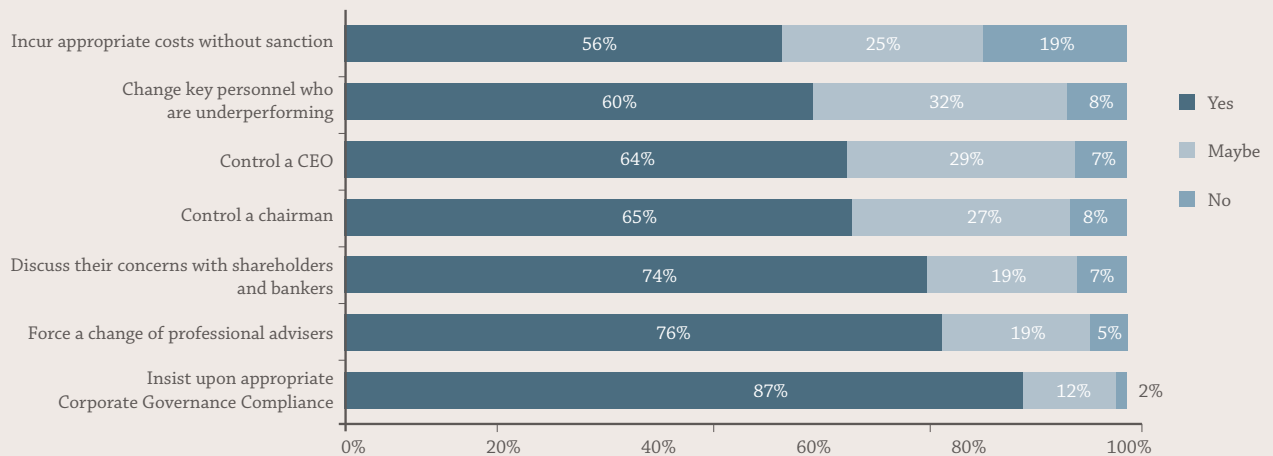
These findings further highlight the need for collective board training, particularly in private groups and must reflect rather badly on certain chairmen whose overriding responsibility is to ensure that the board is an effective unit to represent shareholders, lead the company and plan for the future.

The whole area of performance assessment for boards and individual directors has come under much greater scrutiny since the Higgs Review was published in 2003.

These findings suggest there is scope for further improvement in this area.

NON-EXECUTIVE DIRECTORS: POWER

Do you believe that non-executive directors have sufficient power in the following:



It is of grave concern that many non-executive directors do not feel that they have sufficient power in what MM&K regard as key aspects of their role. However, there has been an improvement in many key areas.

We remain surprised that 19% (last year 26%) feel they cannot incur appropriate costs without the prior agreement of executive directors, as in our experience, this authorisation is usually included in the non-executive's letter of appointment and is part of the Combined Code (Para A5.2). However, this is a significant improvement on last year.

Around 8% do not think they have the power to force a change in key personnel who are underperforming, or to control a chairman or CEO.

74% feel they can discuss their concerns with shareholders and bankers: again an improvement on last year's score of only 68%.

In 2004, 77% of NEDs thought that they could control a chairman or CEO. Today, only 65% say they can, which, although fractionally higher than the 60% reported in 2007, raises serious concerns about how effective non-executives can be.

These concerns are particularly relevant when one considers the comments elsewhere in this report on the risks and remuneration of non-executive directors.

It is also interesting to compare the answers of chairmen and non-executive directors. The chairmen were more confident than the non-executive directors that the non-executive directors could exert collective power to control the chairman or the CEO or to change key personnel and to discuss concerns with shareholders and banks.

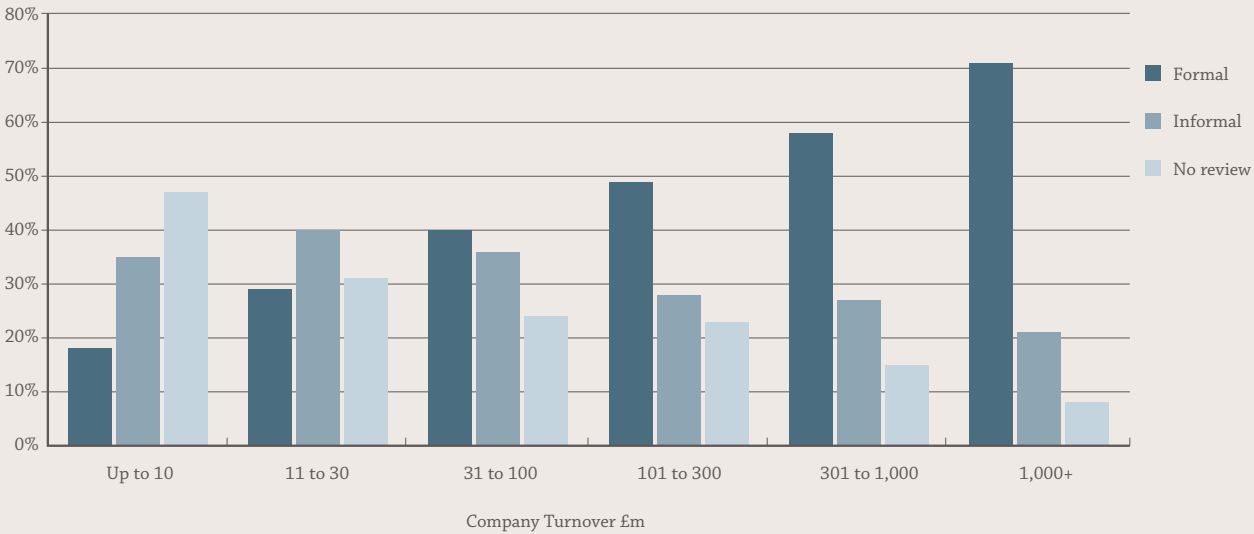
BOARD PERFORMANCE REVIEWS

The Combined Code provides that companies should undertake a formal review of board performance and the London Stock Exchange requires listed companies to report on how this has been done.

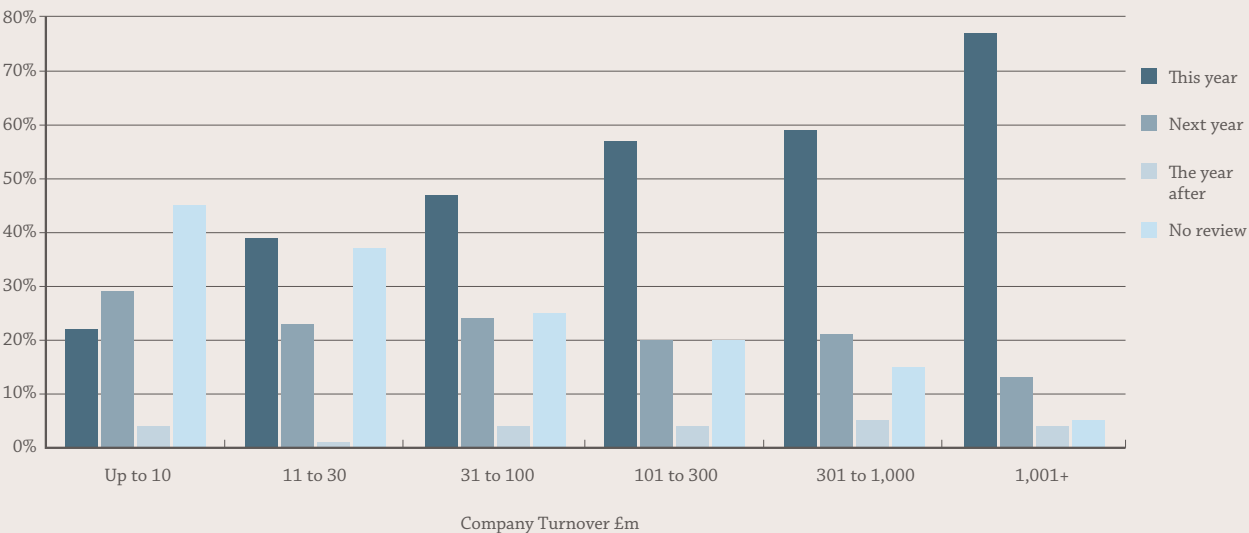
A huge variety of associations, institutes, consultancies and professional firms offer their services to facilitate a board effectiveness review. Our network of experienced chairmen and directors provides an ideal opportunity to canvas views on this topic from independent members who sit on 1,170 boards and responded to this part of our survey. Our most important findings are:

- 3% of listed companies have not conducted a formal review in the past 3 years, although this is a requirement of the Combined Code.
- 24% of AIM and 41% of private companies have not carried out an effectiveness review over the past 3 years.
- 40% of boards stated that they would be undertaking a review in the current year and a further 24% stated that they would undertake one next year.

Has the board completed a formal or informal review in the past 3 years?



Are you planning to conduct a review in the next 3 years?

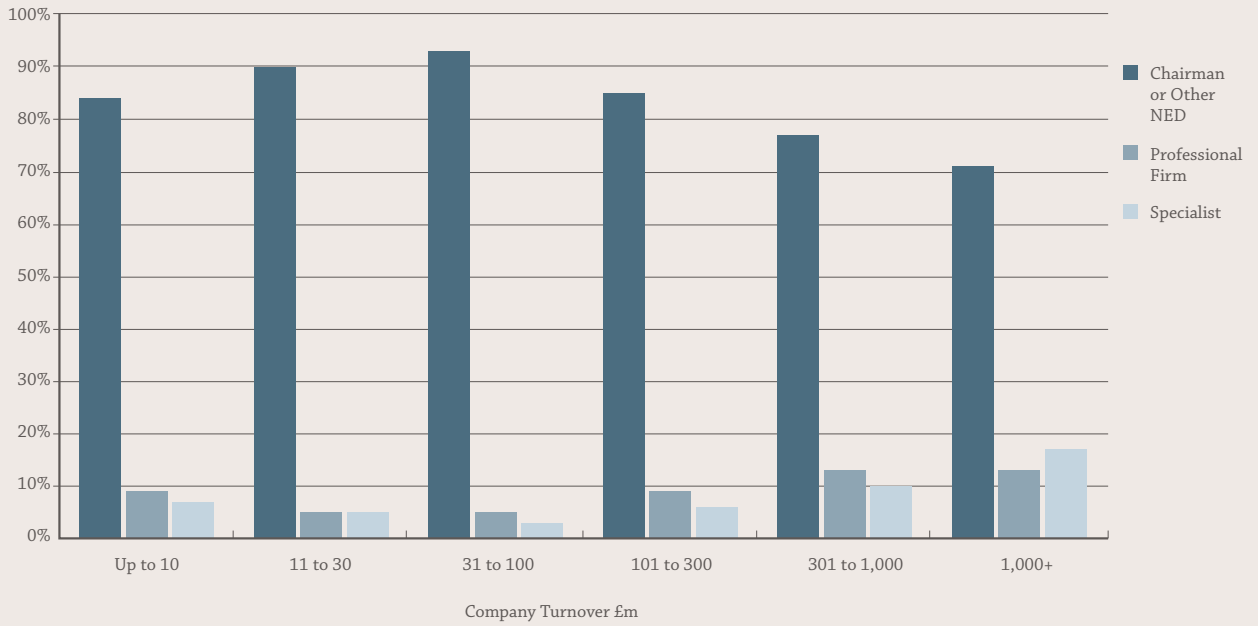


Like last year, most boards (85%) expect the chairman to lead the review. However, consultants are likely to be used as facilitators, particularly with process, to help the chairman complete the exercise.

Most companies (61%) are expecting to take 1 or 2 days for a review. Over 50% will not spend any money on external support and of those that do the typical fee is in the £5,000 to £10,000 range.

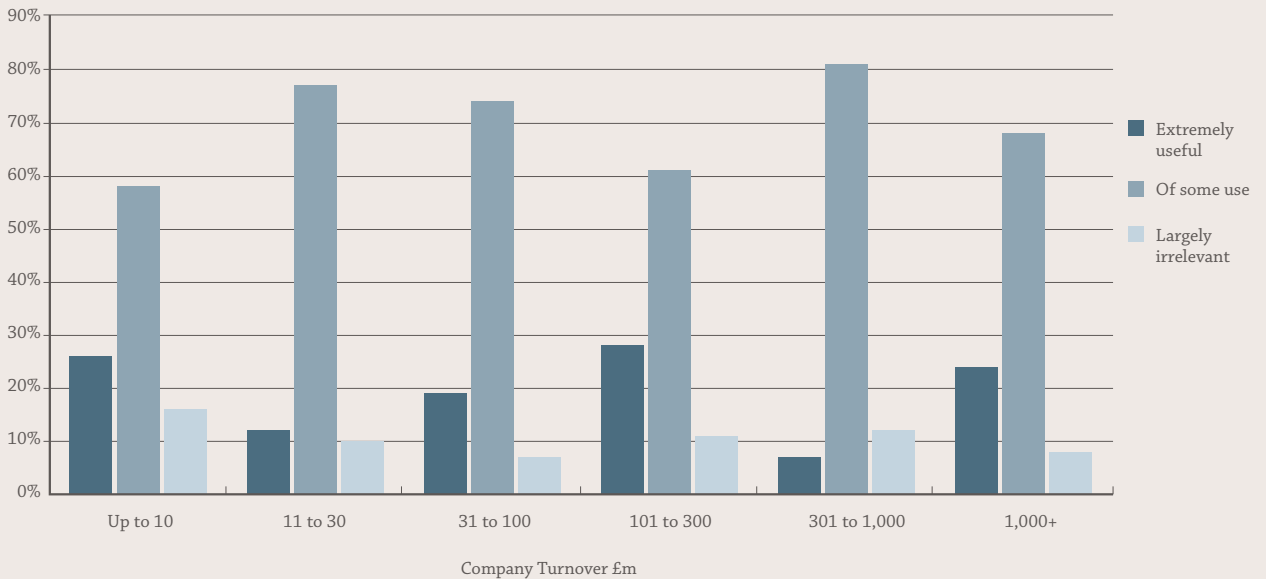
The reasons given for not using consultants are the cost, the lack of perceived value and difficulty of the exercise, which requires a deep understanding of the inter-relationships and the politics in order to add value. A number of respondents have commented on the importance of using external advisers when the company or board is recognised as not performing well.

Who will lead the review?



Those who are planning a review exercise seem to be making extensive enquiries of fellow chairmen, NEDs and associations to see what approach has produced the greatest benefit for other boards.

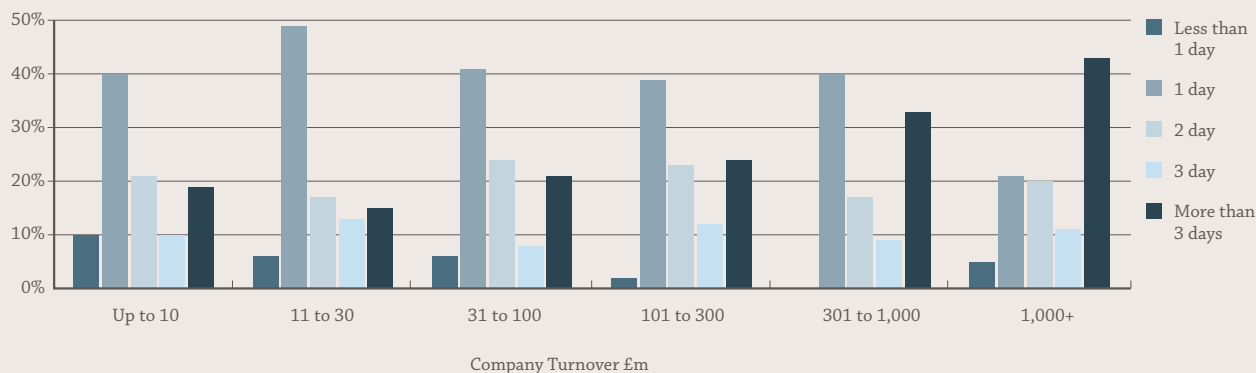
How useful do you expect the review to be?



67% have expectations that reviews will be of some use and 21% believe them to be extremely useful. Chairmen and senior independent directors are more positive in this respect than other non-executives. 12% (last year 25%) think that a review will be largely irrelevant, which is a significant improvement. These results suggest that boards need to consider the terms of reference of the review so that it is allocated the right amount of board time, neither too much nor too little.

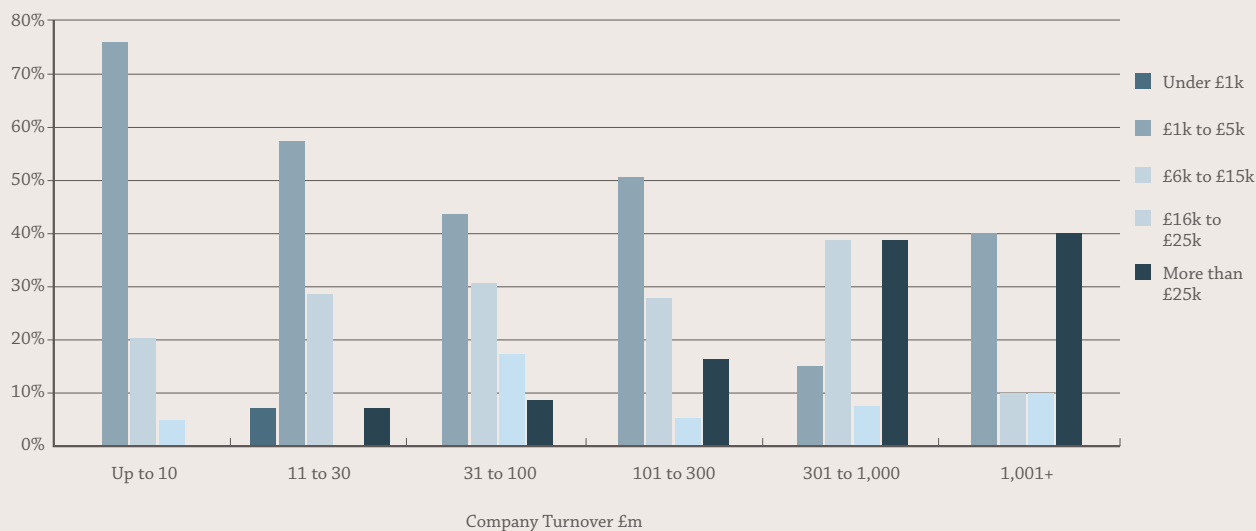
It is worth stressing the great variety of views that exists about this very important issue. Pages 26, 27 and 28 contain a list of respondents' comments which illustrate this diversity and provide a rich seam of knowledge.

How long do you expect the review to take?



Most reviews are not expected to take a lot of time. The important point is to do the review and to do it formally. Most reviews are not expected to incur significant costs.

How much do you expect an external review to cost?



In a small number of cases (c. 5%), companies have been pressured by advisers to undertake a review.

Shareholders are more likely than others to press for such a review. Auditors are least likely to suggest one.

Have you been pressurised to undertake a board review?	Company Turnover £M					
	Up to 10	11 to 30	31 to 100	101 to 300	301 to 1,000	1,001+
by Auditors	0%	1%	2%	4%	2%	1%
by Other Advisors	2%	4%	3%	4%	11%	7%
by Shareholders	4%	6%	8%	5%	7%	3%

YOUR COMMENTS ABOUT BOARD EFFECTIVENESS REVIEWS

The following are verbatim quotes from chairmen and non-executive directors who completed the survey questionnaire. We have grouped them under common themes. (The question we posed was “We would welcome your views, particularly if you have participated in a board review, on how best to improve board performance and whether an effectiveness assessment is likely to help?”.)

Some respondents favour internal Board Performance Reviews

“I find Board Reviews are very helpful. We do them internally and the Company Secretary organises it all. I am trying to persuade my colleagues not to be sensitive to putting views forward but they still prefer to reveal their views to me verbally.”

“Unattributed input to comprehensive questionnaire based on requirements of combined code collated by co. secretary and fed back to chairman. This is presented to the board for discussion and agreement to a 3 point board improvement plan, progress against which is reviewed regularly. Experience shows that individual directors take ownership around the table about what they have said in confidence, once the process has started and the ice has been broken. After a couple of rounds it is a good idea to use an external agency to review the process and advise on performance against peer groups.... but....this is very different from getting an external body to run the process.”

“A board assessment can indeed be helpful, and with the right people can be run internally rather than by using outside advisers.”

“An annual assessment provides a useful basis for reflection on what the Board should be doing and how effective it is performing in this context. My limited experience with external reviews does not suggest that these are more effective than self-administered reviews (provided the Board members are genuinely desirous of an objective process).”

“Assessments are very important. In my experience, professional outsiders have added little value.”

“Have found that an external review came out, once is enough and probably about five years. The intervening years can be done just as effectively internally.”

“My principal role is chairman of an AIM company. We are a small Board and have worked together for some years. We pretty much know each others’ strengths and weakness. However we carry out an internal review by written questionnaire every other year and it is helpful in that it throws up issues or procedures that we have overlooked or neglected. Such a review is not appropriate/ necessary for my other companies.”

“Peer group review of individual roles and performance works well in the smaller company.”

“There is sometimes a difficulty in getting effective and constructive criticism in a small company but in the larger company that I am with the analysis is sent on an individual basis to the Corporate Lawyer. He produces an analysis of comments on a no names basis which has produced some good discussion and improvement in Board operation.”

However others have seen much benefit from external reviews

“A formal board review at least every other year should be an absolute requirement for all companies. In the case of listed companies or charities this should require the participation of an external facilitator. NB. I have changed my view on this based on my experience of the general unwillingness of chairmen and boards to address this issue unless pushed hard.”

“A regular (annual) Board Effectiveness Review by external experts should be mandatory for all AIM or Listed companies (plcs). Publishing an abbreviated summary of the results to shareholders would be a valuable exercise.”

“An external assessment every 4 - 5 years is adequate, with internal every 2 years. The annual review need only be a follow-up for the previous year’s conclusions and actions. Annual reviews become ‘box ticking’ and have little value.”

“Believe that an external review of the performance of the Board needs to be carried out every two / three years - we will be undergoing this process next year.”

“Effectiveness assessment is most effective when it involves both an independent assessor and the chair and is followed up with one to ones and in writing.”

“Keep the questionnaire simple and leave space for comments---these are the things that drive the subsequent discussion. The rest is almost a prompt to generate the comments. In a reasonably well functioning board that is all that is necessary. If there are frictions then a facilitator is helpful. It is best to suggest one ahead of the completion on the questionnaire. That is the point at which it is easiest to inject one into the process. On the whole the review process helps in bringing things to a head if there are issues. I have never/rarely found that the issues raised by a review were completely new--they were known about--just not acted on.”

“More external involvement in Board reviews would be welcome.”

“The best thing we have done is use consultants to go through a formal board performance review & development programme including 360 degree appraisals. Tough but we emerged as a stronger and better focussed team and with considerably stronger strategic focus.”

The quality of the chairman and non executives is more important than the performance evaluation process

“... the influence/ relationship and independence of the chairman is crucial”

“Too many CEO’s have a blackmail approach if not controlled with a firm/steady hand”

“As ever, boards are only as effective as the relationship between the chair and CE.”

“Board reviews are a product of people who do not sit on boards. In my 40 years experience of boards, as an executive and a non-exec, good directors have inherently good governance practices. That is why it is so important to recruit well.”

“Every company should ensure that all of its markets, business processes and products are fully understood by at least one non-executive director. In a large group that means that at least one NED should understand the operations of each division and to be able to devote the time to keeping abreast of development in that division and the risks associated with those developments.”

“Get good independent directors, prepared to say “no”.”

“[get] Better NEDs”

“The effectiveness assessment is useful. However, board effectiveness is highly correlated with the strategical and operational experience of the members.”

A willingness and desire to improve is viewed as critical

“Board effectiveness is a combination of the quality of the directors (skills, experience etc) and the culture of the board as normally set by the chairman. A good, open, discursive and honest board should have the informal mechanisms in place to pick up performance issues, frustrations, ideas for improvement etc. on an ongoing basis. In this case, the formal reviews have less importance as they become confirmatory only.”

“Best way to improve board performance is by having a carefully selected mix of non-executive directors who come from very diverse experiential backgrounds (especially important NOT to have all NEDs from within the same industry) and who are diverse in many other attributes as well e.g. gender, cultural background, leadership style, etc.”

“An effective assessment will help if there are clear actions about what the Board can do differently and there is collective passion and will to implement those recommendations.”

“Be open and honest about the process and the results - otherwise the whole thing is a waste of time and only “ticks boxes”.”

“Board performance is fundamentally driven by the selection of enthusiastic, engaged, knowledgeable directors who add value to the board processes. Terms should be short with possible re-election. Our board review was driven by the management team trying to raise interest in the board.”

“Open and frank discussion is needed.”

“Reviews need to flush out issues rather than be rubber stamping exercises. One to one discussions have to be conducted by the Chairman.”

“The board performance is best improved by strong leadership and good listening skills especially from the chairman and CEO. The formal review is helpful in creating an audit trail to look back on, but real change happens as company and market dynamics ebb and flow.”

“Oral interviews are more useful than filling in questionnaires. The involvement of the Company Secretary to ask the question is helpful. A conversation with the Chairman about individual director’s contributions gets the most useful information - good or bad.”

Board Evaluation is not a substitute for a good strategy and business plan and other operating issues

“Have a well-defined Business Plan which is regularly reviewed, updated and signed off by the whole Board. Conduct an Annual Review of Board Performance.”

“If company manages to stay profitable/cash flow positive then focus is not so much on board performance as future prospects/strategy.”

“[It is] Not applicable to our business. It is all about technology and getting the business established.”

Many of you remain sceptical about the need for performance evaluation of Boards

“Despite recent headlines for major companies, I remain sceptical of the value of a specific review of the board of smaller companies. In effect, we have an ongoing review through discussions at, or outside, board meetings and Audit Committee members discuss informally with auditors. I can quite understand the need for independent reviews of major companies. Sounds rather NIMBY-ish but, in effect, is pragmatic and there is no need to take action for the sake of it.”

“Formula based assessments are less valuable than the assessments that come from working with and listening to your peers. You just know if an NED (or for that matter an executive) is effective or not and whether or not they interact well with other members of the Board both in and outside the boardroom.”

“I have worked as a Director of smaller AIM businesses, also VC and privately backed early stage companies. I believe most of these questions are not that relevant to this sector (early stage) where pragmatism is the driving issue for any Director - with the minimum (i.e. just more than none) of concern for corporate governance issues. Directors in this sector must (in my view) be partially executive and willing to roll their sleeves up to help the business where needed and where they have skills/experience/contacts that the business does not otherwise have. Shareholder communication” is also more pragmatic - it is about how to keep all stakeholders on side, especially where further funding will be required from them.

“I think reviews are a waste of time. The chairman, if he is doing his job properly, will be alert to any issues lurking.”

“It may help but priority is to survive the downturn and consequential issues.”

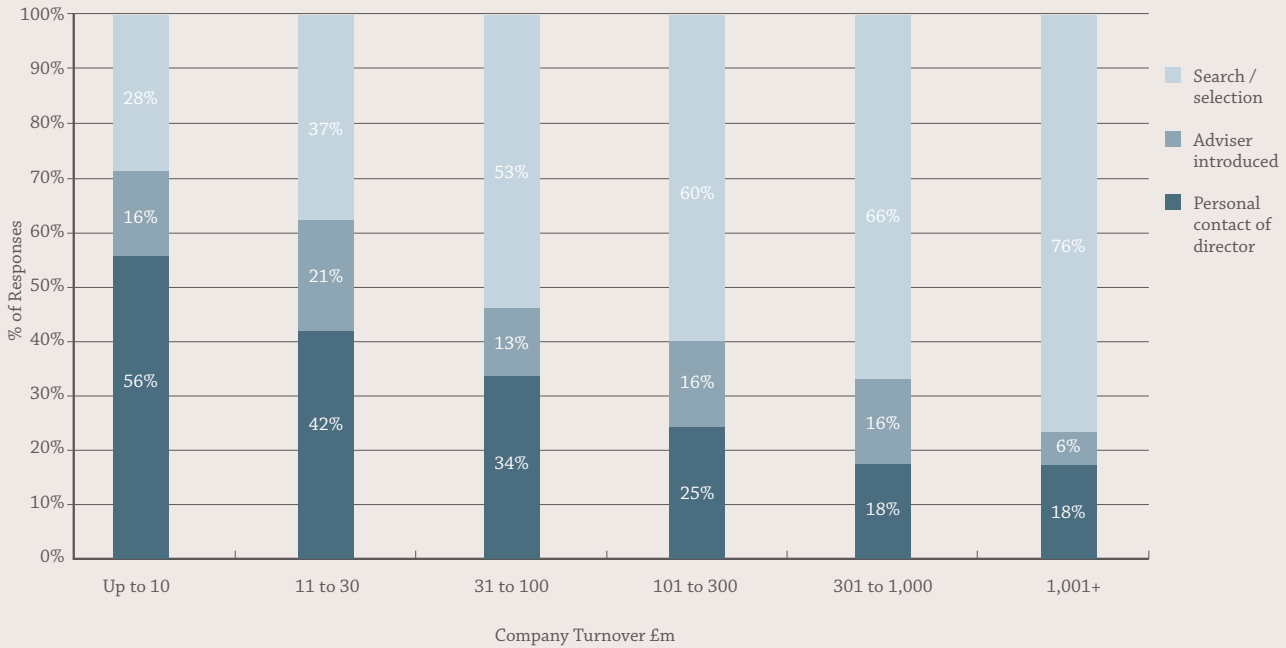
“People who fear for their jobs, careers, etc. will do the least they can to stand out from the crowd. If you lead by fear, you will get the letter of what you asked for but not the spirit of what you need. In order to get your team’s honesty, creativity, and maximum efforts, you must lead from respect. The only way to get your team to respect you is to demonstrate to them on a daily basis that you respect them. People who are afraid quit thinking about their goals and start thinking about the consequences. There’s a big difference between succeeding and not failing. “

7.

THE APPOINTMENTS PROCEDURE

Our figures clearly show that the larger companies are more likely to use search and selection specialists whilst smaller companies are more likely to use personal contact as the main method of appointing a non-executive director. As applicants from any source now go through a full and rigorous selection procedure, we suggest that smaller companies continue to use personal contact as a potential source of candidates. Particularly in relation to boards with five or six members the personal knowledge of a candidate by an existing director can be a very helpful filter for suitable appointees.

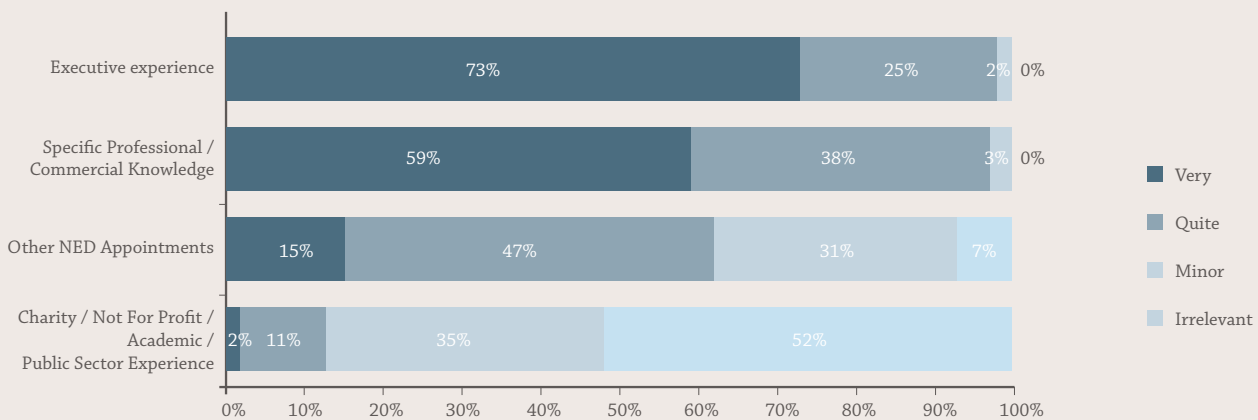
How are Non-Executive Director Appointments Made?



CANDIDATES' BACKGROUNDS

Since 2005, we have asked for more information on this issue following the attention given in the Higgs Report for widening the pool of possible candidates. The relative importance given to different characteristics is as follows.

How important are the following in selecting candidates:



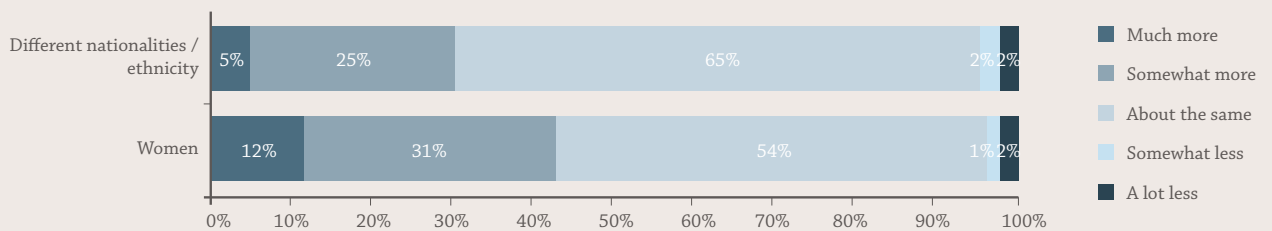
The clear priority is executive experience (73% think this is very important) and specific professional/commercial knowledge (59% rate this as very important). There is a significant increase in respondents highlighting the importance of specific professional/commercial knowledge, from 15% in 2007 to 59% in 2009.

Skills that have been acquired in the charity or Public Sector are not felt to be valuable.

We found in previous surveys a candidate's gender and ethnicity is of minor importance and chairmen and non-executive directors are mostly aligned on this. This is in stark contrast to the Government, Public Sector, and many pressure groups who feel that Boards should come from more diverse backgrounds.

So this year we asked two specific questions about whether such factors should be encouraged:

Should the appointment of ... as non-executive directors be more or less encouraged?



Less than half of all respondents in all sizes of organisation indicated they feel women should be much more or somewhat more encouraged into non-executive directorships. The majority view is that women should be no more encouraged than at present. Given that the current approach has produced a split of 94% male to 6% female of board directors, this answer suggests the status quo will only change slowly!

Lower proportions favoured more encouragement of different nationalities of ethnicities.

The clear message coming back is that in these difficult economic times companies are favouring demonstrable competence over political correctness.

In our experience there is no shortage of good candidates willing to put themselves forward for chairmen and non-executive director roles. However, we were interested to see if you felt that this was likely to continue. The answers indicate a preference for PE and private companies over listed companies, but the percentages are not large enough to suggest a large problem for listed companies.

The number of high quality candidates willing to be appointed as Chairman or NED will be more or less in the future:	% of Responses				
	Much More	Somewhat More	About the Same	Somewhat Less	A Lot Less
in quoted companies?	2%	16%	41%	35%	6%
in private equity backed companies?	6%	32%	45%	15%	2%
in other private companies?	5%	30%	56%	8%	1%
OVERALL	5%	26%	48%	19%	3%

8.

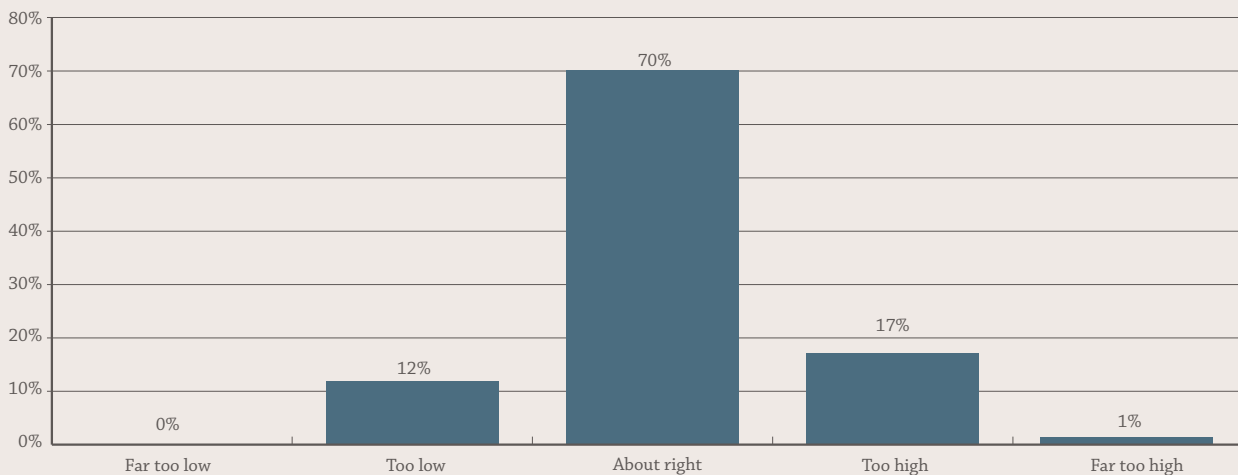
EXECUTIVE REMUNERATION

Remuneration is very much a topical issue and attracts much press attention and parliamentary debate. This year, we changed the questions we asked about remuneration and received a great deal of responses from chairmen and NEDs who sit on remuneration committees.

Most respondents (70%) felt that remuneration of executive directors is about right. It is noticeable that:

- There is a strong consensus of opinion about this point. When reviewing answers to other questions the reader should note whether there is a consensus, generally two viewpoints, a wide variety of views or generally dissenting views with no common themes.
- Respondents' views are at odds with most media, most of the worlds' governments, most academics, most politicians and most of the general public – who all think directors (and bankers) are paid too much.

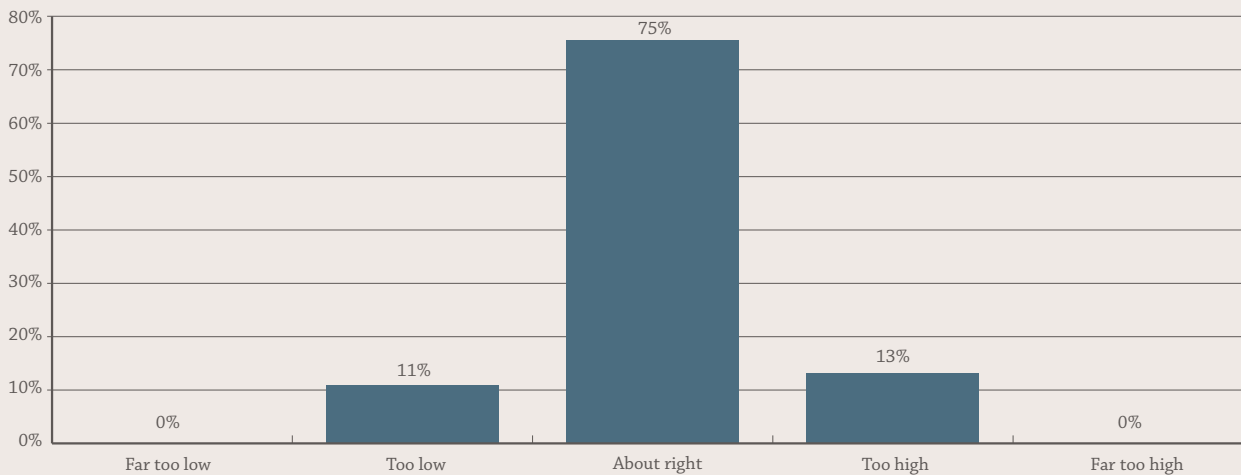
Remuneration of Executive Directors is:



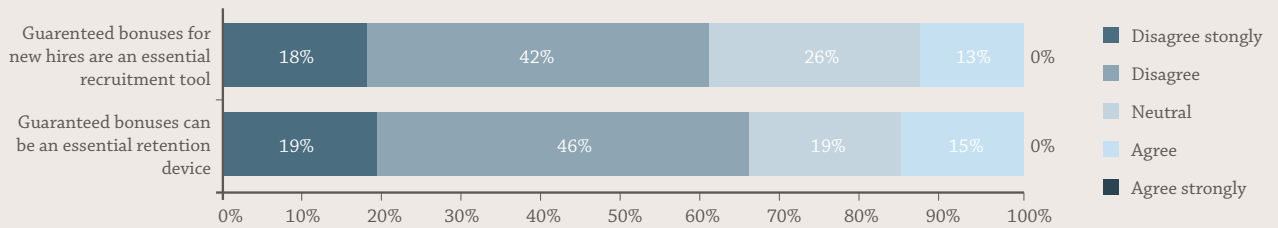
The proportions of pay at risk is also felt to be about right.

Most respondents (75%) also felt that the amounts of fixed and variable pay are in the right proportion. Again there was a strong consensus. The question we asked was:

Salary as a proportion of total pay is:



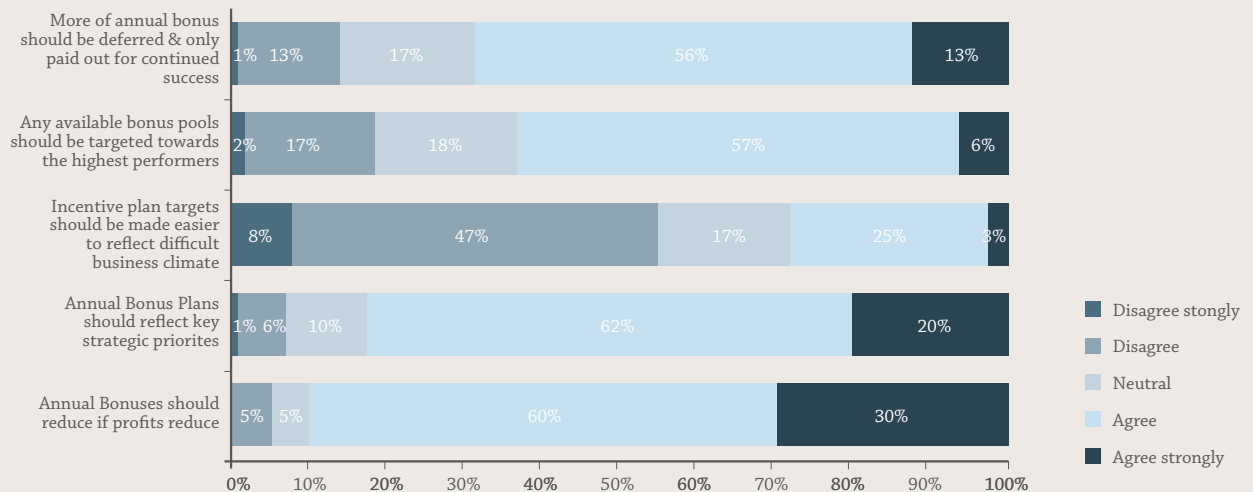
Bankers' pay has been very much in the public eye. Guaranteed bonuses have been one area of criticism. So we asked whether guaranteed bonuses for recruitment and retention were necessary. Most respondents felt that they were not essential, with only 13% believing they were essential as a recruitment tool and 15% for retention.



In our experience, most larger companies use guaranteed bonuses or will have used them over the last five years. This suggests that chairmen and non-executive directors need to make their views known to the executives and shape company remuneration policy in this area. (An alternative view is that most of the respondents are wrong and the executives need to explain better and convince the non-executives of the need for guaranteed bonuses.)

The NAPF in November 2009 issued guidance which inter alia said that in their view bonuses should reduce if profits reduce. 30% strongly agreed and 60% agreed that bonuses should reduce if profits reduce. Only 5% disagreed, so it would appear that the NAPF guidance is non-controversial.

Bonuses, LTIPs and Share Options



However, 20% strongly agreed and 62% agreed that annual bonus plans should reflect key strategic priorities. It seems to us that it is illogical to agree with both of these propositions!

Perhaps the solution is to have part of bonus linked to increases in profits (in absolute terms), thus satisfying the NAPF guidance, and part linked to strategic objectives. Such a policy enables companies to pay a higher bonus than the previous year when profits have declined if there has been much progress on other strategic priorities.

77% believe annual bonus plans reflect key strategic priorities. In other words 23% do not! We find this a remarkable finding. MM&K believe bonus plans should reward and incentivise executives to achieve strategic goals. If they are not then the bonus plans need to be reviewed and redesigned. We find it extremely worrisome that **only** 13% of respondents "strongly agreed" that annual bonus plans reflect key strategic priorities.

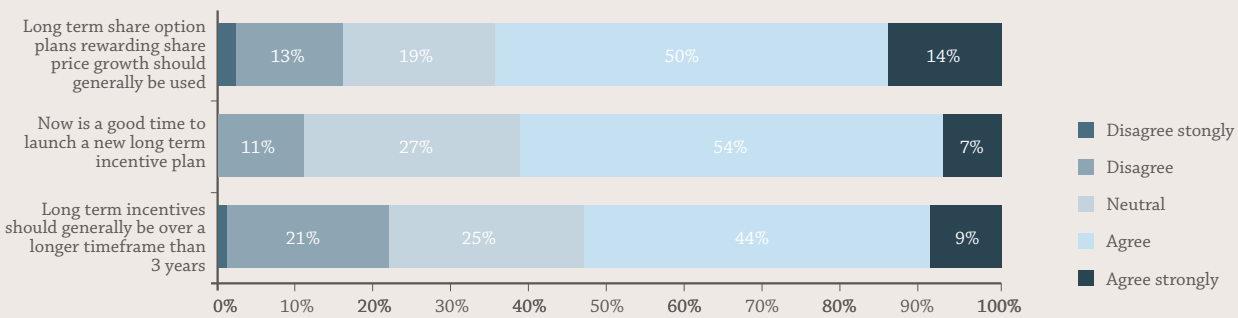
Quite a large majority felt that any available bonus pools should be focused on the highest performers. The consequence of such a policy is that the average performers will receive less or zero, which might demotivate many executives in order to satisfy the highest performers. There is much talk about the need for teamwork and all working together in these difficult circumstances. However, it would appear that many executives will be asked to sacrifice part or all their bonus in order to keep the high performers satisfied.

Respondents also agreed that more of the annual bonus should be deferred. This is a policy we have advocated for many years and we are glad to see this data. Executives will (obviously) favour rewards now, so chairmen and non-executive directors should take heart from this result and insist that more of annual bonus be deferred.

The question was phrased carefully and said deferred payments should be contingent upon “continued success”. By implication if profits were to reduce or if the share price to decrease (say in absolute terms and/or relative to the sector) then “continued success” criterion would not have been met. We suggest many remuneration committees could usefully spend time debating the issue of what they would consider the minimum requirement to be for “continued success”.

9% strongly agree and 44% agree that long term incentives should be over a longer time period than 3 years. The 3 year performance period for so called long term incentive plans is almost universal. This answer suggests that there is much work to be done by remuneration committees. Most respondents (74%) believe more annual bonus should be deferred and only paid if there is continued success. This result reflects the emerging consensus of what constitutes best practice. However, in MM&K’s experience implementation of such change is not straightforward.

The consensus view was that now is a good time to launch a new long term incentive scheme. We agree!



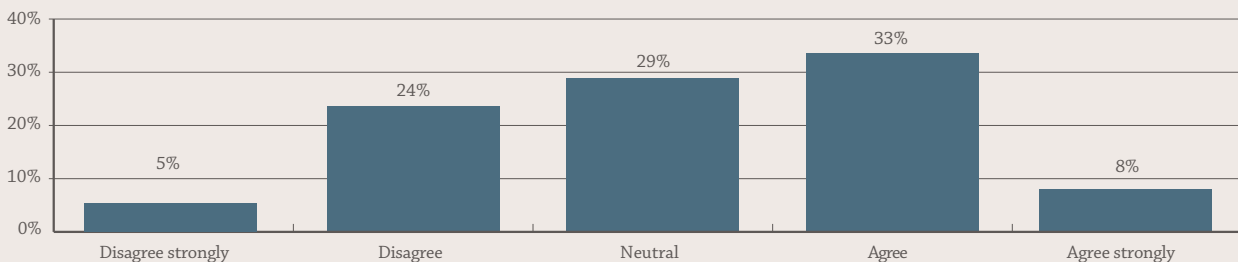
There is also a consensus about using options, which generally had fallen out of favour.

The questions we asked on remuneration in this year’s survey were quite different from those asked last year. The reader with specific interest in remuneration matters may find it instructive to re-read that section of last year’s report.

We asked two questions on topical remuneration issues as follows:

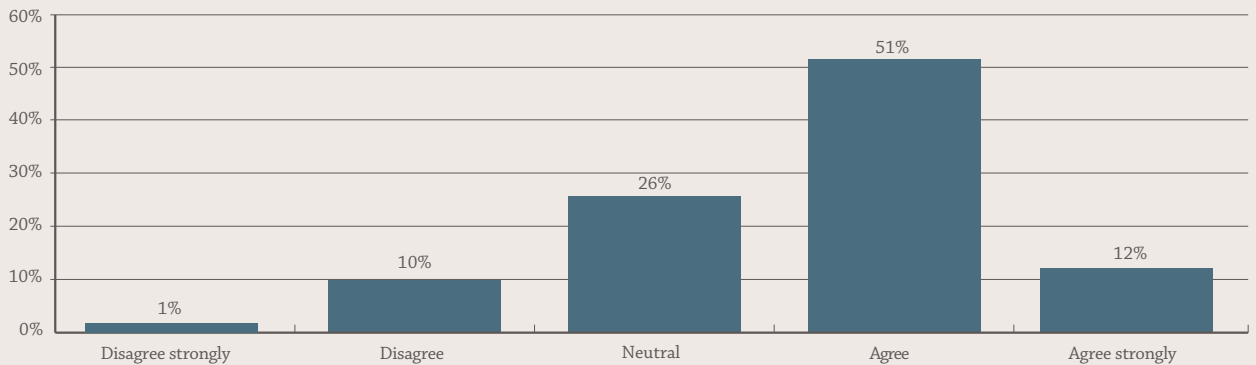
1. Should the chair of the remuneration committee be subject to annual vote at the AGM? On this question there is no consensus, as shown in the table below. The FRC has given this some consideration but has not made it a recommendation, even though a number of opinion formers have suggested it.

The Chair of the Remuneration Committee of listed companies should be subject to annual vote at the AGM:



2. Should fees for remuneration consultants be disclosed in annual reports? You were very strongly in favour of this with 63% agreeing or strongly agreeing, and in fact only 11% of you disagreed!

Fees for remuneration consultants should be disclosed in the annual reports of listed companies:



In our view, the level of fees paid to some large remuneration consultants may result in a conflict of interest. Publishing the fees paid for remuneration committee advice and separately for other services to the company (in a similar way that audit fees are disclosed) will improve the transparency.

The FRC in its latest proposals for the new Code for Corporate Governance has not made any mention of the disclosure of the fees for remuneration consultants in the annual reports of listed companies. We shall be sending them a copy of these findings of your views and will urge them to reconsider.

9.

QUOTES FROM QUESTIONNAIRE RESPONDENTS

The following are verbatim quotes from chairmen and non-executive directors who completed the survey questionnaire. This fascinating collection captures the variety, depth and challenge of Life in the Boardroom. There are several common themes in the responses, so we have grouped comments under generic headings.

Shares and Options for Non-Executives are a good idea...

“All directors should perform better with shares in the business.”

“Remuneration of NxDs does not reflect the level of responsibility and risk involved in smaller companies. Smaller listed companies should be able to grant share options to NxDs to compensate for low levels of remuneration.”

“The career of the non-executive director is becoming an increasingly unattractive prospect. The rewards are small compared to the risks and the time commitment increases every year. I believe institutional resistance to the use of share-based rewards for NEDs is misplaced and I can see no reason why all directors should not participate in LTIPs. This would go some way to increase compensation without the PR difficulties of large salary increases at the present time.”

“Taking risk and other factors into account, overall remuneration for chairmen in listed companies is becoming increasingly unsatisfactory. The key element here is the inability to use equity rewards. This is in marked contrast to Private Equity backed companies, where equity components typically make rewards sensible.”

“The award of options to NED’s is in my view important provided the awards are (a) proportionate and (b) they are linked to the NED investing a meaningful sum in the Company’s shares directly from his/her own resources. The options should not be a ‘free’ ride. Subject to these caveats I think the current ABI/Institutional position against these awards in listed/listed companies is counterproductive and outdated. It is important that the NED has a real incentive to see the business perform and the award of options does not mean that the NED will go ‘native’ and align his interests with the executives rather than the shareholders. In fact in my (partly Private Equity) experience precisely the opposite is the case: if an executive is underperforming an NED with a stake is far more likely to take timely remedial action than if he has no interest in the Company.”

Concerns about time commitment

“A major increase in time commitment will mean that executive directors will be unable to become NEDs which would reduce the quality of potential candidates particularly for audit chairs.”

“For the non exec to do his/her job in a large multinational company, they need to spend more time understanding the business and the business model. Also, board and committee meetings should take place overseas in the subsidiary locations as well as back at head office.”

But your bigger concern is about remuneration, time and risk

“Although many meetings are not full day affairs, they still frequently absorb a day from the calendar. Remuneration of non execs does not fully reflect this however the current climate makes upward adjustments very sensitive.”

“Clearly the time commitment is increasing, partly greater governance points, greater pension problems with DB pension schemes and in the last 12/18 months managing thro’ the recession and ensuring adequate lines of finance. Being involved with a number of different companies in the same space is hugely helpful in these circumstances as one is continually looking at a similar raft of problems but each from a slightly different perspective in a way no Exec Director can and thus has useful perspectives and proposals to bring to a discussion.”

“On the NED remuneration front, my impression is that it has not changed much over the last 6 or so years and thus is somewhat falling behind both in the hourly rate as more hours are now involved and in absolute terms. Also given the number of conference calls etc the cost of running the office is getting to be quite significant and some contribution, which 6 out of my 7 companies make is useful and I think should be more generally encouraged as good practice.”

“Fees continue to be too low compared to the effort and risk especially given incentive arrangements for NED’s are frowned upon.”

“For AIM Chairmen & NEDs there is an increasing imbalance between Risk & Time on the one hand & reward on the other.”

“Increasing demands are being made on non-executive directors and this will need to be recognised in terms of remuneration. The greater demands and the blurring of the differences between executive and non-executive directors are a cause for concern.”

“It will be more and more difficult to find high quality NEDs. A lot of us don’t want to take on the higher responsibilities and time commitment in exchange for low pay.”

“More time is needed to better understand the company and to meet employees across the company (i.e. not just senior management). There should be a limit on the number of NED roles held. This will require increased fees to fairly reflect an increased time commitment. Given that personal risks continue to grow from being an NED, fees paid should grow to reflect this.”

“Remuneration of NEDs in smaller cap companies is low in relation to the amount of time required to fully participate in corporate governance in the light of new Companies Act.”

“The NED role can be very fulfilling and rewarding but....this is not reflected in the compensation that the role attracts. I see the “job” becoming much more time consuming as the impact of Government and Regulation strangles creativity and entrepreneurship. PLC boards today are subsumed by the Risk and Regulatory environment and, as a result, we are not being utilised for our core skills as NEDs. This deserves a debate.”

“Time involvement has increased considerably over last two years, not recognised when establishing remuneration, also difficult to reward when considerable pay restraint required by the organisation.”

“There is no doubt that the responsibilities of Audit and Remuneration Committee members have become more onerous in the past 3/5 years. Audit Committee especially is becoming much more complex and technically oriented and time commitment is increasing to an extent that I do not believe is generally known. It follows that remuneration of Audit Committee members need regular re-assessment.”

Selection criteria for non-executives

“Generally, we still see the same names appearing as non-executive directors of listed companies (plcs), banks, etc. The “old boys’ network” is alive and prospering. Too many companies, whilst perhaps advertising or going through a “selection process” still appoint ex bankers, ex politicians, ex executive directors of other plcs, just because of who they are. Not enough “new blood” is brought into companies on the boards.”

“The main other issue is the nature of the question of women in the boardroom and the ethnic makeup. The board should be blind to both!! It is the best candidate that matters not their sex or colour of their skin!! The more that people realise this, the better. However women and all candidates of all ethnic origins should put themselves forward!”

“Get rid of cronyism, and the appointment of “the great and good”. More use of people with real experience of the specific sector.”

Banks

“The clearing banks (especially Lloyds and RBS) are a nightmare and only seem to be interested in getting loans back.”

“In the current economic climate the non exec role is often usurped by the banks ahead of shareholder interest with only banks interest prevalent thus corporate government is ignored.”

Public Sector

“Executive greed and failure to understand public concern is prevalent, if at a lower level, in the public as in the private sector.”

“I believe government pressure on the public sector will lead to increasing pressure on NEDs to ensure executive performance in a downward spiral of over control. Cuts in public sector funding will lead to the role of a public sector NED becoming more pressurised & less attractive due to low rewards and being undervalued.”

Other Comments

“Big and growing problems with big 4 Auditors, their internal procedures are delaying audit completion, they are getting more concerned about “emphasis of matter” and using it as a weasel worded mini qualification. Technical partners do not always agree with audit partner/peer review.”

“In public companies, there is not sufficient attention paid to address the relationships with stakeholders, which then tend to become adversarial whenever there is a contentious issue, such as succession or remuneration.”

“I remain concerned that Boards have still not embraced the principles of The Combined Code. There are still too many examples of ‘explain’ for the comfort of shareholders. The recent failings in the FS sector have demonstrated the need for skilled and experienced NED’s. Regulators have been found wanting in their ability to exercise adequate control of this fundamentally important oversight responsibility. A desk based analysis would still evidence too many shortcomings in terms of shareholder/policyholder/customer protection.”

“I think your questions are aimed much too much at process issues and governance. The board of a company is a live entity which is and should be involved with the development and success of the company. (Editor’s response: I agree with your point about the questionnaire and I hope that this section has helped to balance this and addresses your point about the nature of the board and its role.)”

Thank you for your comments - short and pithy or long and detailed.
All are valuable contributions to the debate.

10.

LIFE IN THE BOARDROOM – REVIEW OF 2009

By Peter Waine, Director, Hanson Green

Throughout the year Hanson Green hosts a series of in-house lunches during which topical issues are debated by board directors. Key themes emerging have been summarised below by Peter Waine.

Unquestionably 2009 has been an unusual year and a great challenge. Most are very pleased to see the back of it! For a whole generation of younger Directors the abrupt end of sustained compound growth has necessitated a sharp learning curve helped and alleviated somewhat by those Non-Executive Directors with longer experience.

The shape of the recession

Many believe that the recession will be deep and extended. There was much debate on the shape of the eventual recovery. Most predicted that companies which were predominantly dependent on the UK domestic market will take longer to recover than those whose markets are European or global. There was some acknowledgement that the Government acted boldly immediately post the banking crisis but had also been one of its principal authors. It didn't help that MPs generally and for different reasons had been discredited by their own home goal over expenses.

Some feel strongly that in the event of a change of Government in 2010 there will be a rude awakening both for companies and for individuals, even if, by then, the economy is officially out of recession.

Most argue that it will take longer for the UK economy as a whole to recover because of certain unique structural peculiarities, principally the central role financial services plays. It was even questioned whether the British economy was large enough to be home to the City, unlike the situation in the US, where, despite similar challenges to their financial services, that sector plays a much smaller and less pivotal role in their economy as a whole.

Bonuses and remuneration packages

Whilst there is some sympathy for the Chairmen of Remcos, there was general acknowledgement that there had been excessive and unsupported pay drift over at least a decade with scant correlation between longer term performance, share price and main board remuneration packages. Some worried in the wider context of the ever widening gap between board pay and that for employees generally, arguing that there could be social unrest and were even surprised that we had avoided it hitherto. A few were beginning to encourage greater institutional shareholder activity in the setting of pay rates whilst acknowledging that share ownership is becoming more fragmented.

There was muted anger over City bonuses – from “bankers should start to live in the real world” to “don't let politicians meddle and undermine the international status of the City nor ignore its overall financial contribution.”

However, there was a hardening of attitudes toward the City with the majority feeling that City remuneration packages were hard to justify and some even ventured to argue that the cost of financial services generally warranted closer scrutiny.

It was generally conceded that rewarding in a downturn is difficult but that a fair and meaningful way forward is likely to be a greater percentage of pay in shares and to be held over a longer period with, in certain instances, acceptance that shares might in due course have no value if the company underperforms.

Pension deficits were very central to many company deliberations with a growing appreciation of the need to recruit professionally at least one pension trustee – possibly the Chairman – thereby attracting the same calibre of candidate as is now found on the main Board as an NED. Otherwise there are too few who are able to challenge the professional advice proffered by actuaries and bankers, and be, at the same time, able to relate on equal terms with their colleagues on the main board.

Is there any change in appetite for the role of Non-Executive Director given the pressure?

It is easy to paint a scenario that the position is becoming progressively unattractive; pay between executive and non executive is widening, the legal liabilities are being highlighted and the demands on their time increasing. However, there is still no shortage of good candidates – those with executive and non-executive Plc main board experience acquired via more than one company and sector and achieved by their mid-50s.

A shortage might arise in due course if companies insist upon recruiting only from main boards as the number of executive directors decreases often to only two, the Chief Executive and Finance Director. However, this might produce a richer and more meaningful talent pool by persuading more companies to seek wider diversity and appoint from below main board; an action which could, for instance, greatly enhance the proportion of women.

During the year, the Walker Report on corporate governance in financial services was published, debated and parts were incorporated into the Combined Code and other regulators, e.g. the FSA guidelines on BOFI. It was not as novel and challenging as some predicted. Many outside financial services wondered why the latter were precluded or felt that they were not included in the original Combined Code.

There was a general feeling and realisation that financial service companies had little interest in corporate governance, both as it applied to their own board, and in respect of the companies in which they invested. They turned a blind eye as long as the short term performance was profitable.

Generally companies were anxious that corporate governance should not become an industry in itself and acknowledged that good corporate governance will not make a bad company good; only a good company better.

In December 2009, proposed changes to the Combined Code were published, including the requirement for directors to pay more attention to the long-term success of the company, the clear implication being that previously some Boards had overfocussed on short term issues.

The big question now is whether the move towards longer term goals at Board level will remain part of our new culture when the economy returns to 'normality' and real growth.

11.

SAMPLE COMPOSITION

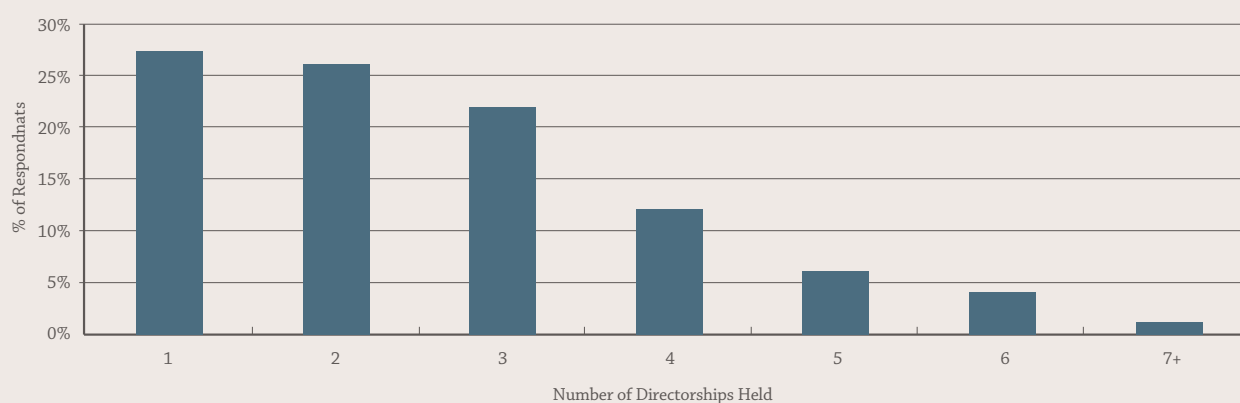
Our sample covered 442 individual chairmen and non-executive directors holding 1,170 separate appointments. This is a significant increase on last year. We are very grateful to Hanson Green, Directorbank and MM&K clients and associates who have taken time to complete the questionnaire and provide a fascinating insight for 2009.

The 442 survey respondents are made up as follows:

- 290 chairmen who also hold 394 other non-executive directorships.
- 152 other non-executive directors (i.e. those who are not chairmen of any companies) who hold an average of 2.0 NED appointments.

The non-executive director results are based on responses covering 699 companies in total.

Number of Directorships Held:



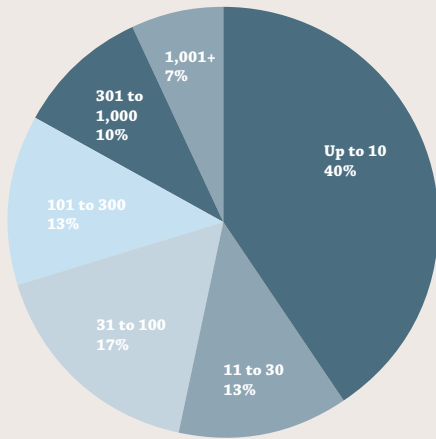
Percentage of appointments held by respondents:

APPOINTMENTS	NO OF ROLES	% OF DIRECTORSHIPS
CHAIRMAN	471	40%
DEPUTY CHAIRMAN	34	3%
SENIOR INDEPENDANT DIRECTOR (SID)	195	17%
AUDIT CHAIRMAN	337	29%
REMUNERATION CHAIRMAN	294	25%
NOMINATIONS CHAIRMAN	177	15%
CHAIRMAN OF OTHER COMMITTEE	80	7%
PURE NED (RESPONDANTS WHO ANSWERED "N" TO ALL ABOVE)	292	25%

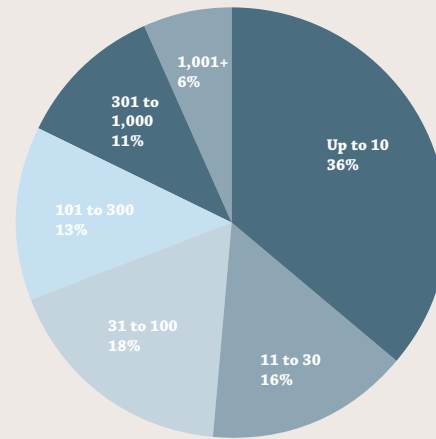
The strength of our Survey, now in its 20th year, has always been its coverage of companies inside and outside the FTSE 350 Index whereas other surveys, principally published by major accountancy practices, only cover groups who publish directors' remuneration details.

As you see, we enjoy significant input from non-executive directors of companies in the smaller listed, private and, increasingly, the venture capital and private equity areas. We are expert at designing data collection forms that highly experienced and very busy non-executives are willing to complete. To this end we do not ask a mass of detailed questions but concentrate on the important issues.

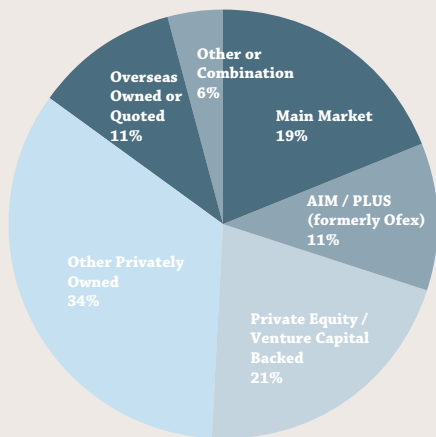
% of Responses by Company Turnover £m



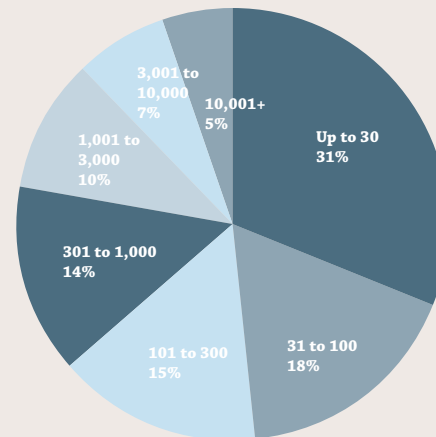
% of Responses by Ownership



% of Responses by Market Capitalisation £m

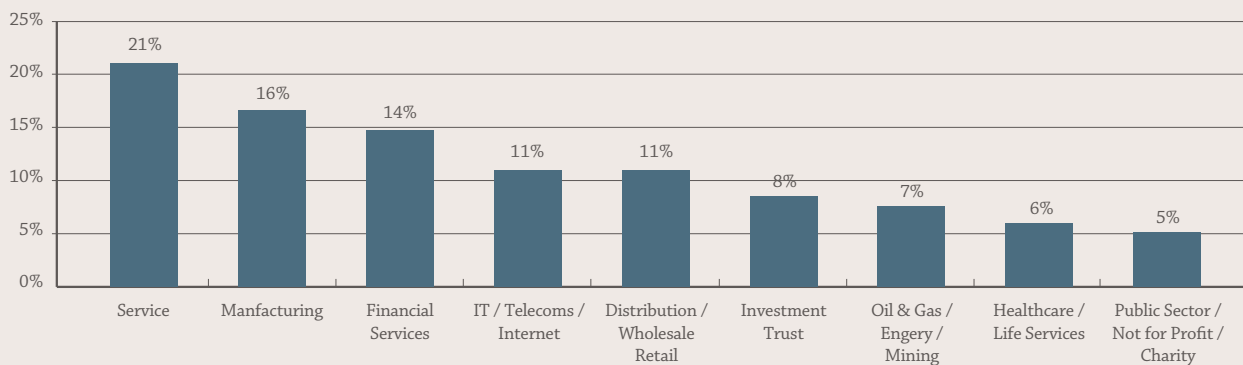


% of Responses by Number of Employees:



Respondents came from a wide range of industries.

% of Responses by Sector



NOTES

ABOUT THE DIRECTORBANK GROUP

Comprising two market-leading companies, Hanson Green and Directorbank, the Directorbank Group appoints executive and non-executive directors to more than 250 boards a year. By working collaboratively and sharing a common knowledge platform, Hanson Green and Directorbank have access to an extensive, high-level network of board directors ensuring fast and effective sourcing of talent for their clients.



Founded in 1989, Hanson Green is a specialist search firm with a market-leading position in the appointment of chairmen and non-executive directors. The firm also offers a specialist board evaluation practice as well as an executive search practice for financial services appointments.

Hanson Green's proven track record of solving clients' recruitment challenges combined with the unrivalled quality of their service has made them the search partner of choice for a wide range of FTSE and AIM quoted companies.

110 Park Street
London
W1K 6NX
T. 020 7493 0837

E. info@hansongreen.co.uk
www.hansongreen.co.uk

Directorbank

Directorbank is a leading provider of executive, non-executive and interim directors with a market-leading position in the private equity sector. Around 80 leading private equity houses from the UK and Europe are retained by the business and have constant online access to Directorbank's network of more than 2,500 proven directors.

Due to the quality of this candidate base, and the accessibility and speed of Directorbank's service, the company has also become the UK's fastest growing provider of talent to corporate entities undergoing change or transition.

110 Park Street
London
W1K 6NX
T. 020 7255 7940

8 St Paul's Street
Leeds
LS1 2LE
T. 0113 297 8000

E. enquiries@directorbank.com
www.directorbank.com

Directorbank
Group
A leading source of board directors



Directorbank

ABOUT MM&K

Founded in 1973, MM&K is a leading independent remuneration consultancy providing advice on strategic pay, performance linkage, share scheme design, implementation and administration.

MM&K advises on remuneration issues for quoted and unquoted organisations across a range of sectors. Our approach is straightforward and designed to assure executive and non-executive directors that key executive talent is rewarded and motivated in a manner consistent with best practice and the specific needs of your business. We implement the recommendations we agree with our clients. Our consultants' expertise includes HR, share schemes, law, accountancy, tax, corporate governance, business management and statistics. Our multi-disciplinary approach to remuneration is always tailored to individual client requirements.

This survey neatly complements our Executive Directors Total Remuneration Survey (which we produce jointly with Manifest) and our other market-leading pay surveys. We currently publish independent surveys of pay policies and practices in the European Private Equity, UK Hedge Fund, UK Professional Institutes and the UK Renewable Energy sectors. We produce these surveys to complement our core business of providing independent remuneration consulting and advice.

MM&K focuses on directors and senior executive remuneration, but we have added other services to support our clients' needs through the acquisitions of Independent Remuneration Solutions (in 2006), Share Plans Solutions (in 2009) and The Share Option Centre (in 2004); and the launch of Higher Talent (in 2008), our specialist recruiter of HR professionals.

2009 has seen much progress for MM&K:

- We have recruited two share scheme experts Mike Landon and Ian Murphie, thus further strengthening our ability to deliver advice in share schemes, employee benefit trusts and tax effective pay.
- Damien Knight and Jonathan Chapman have joined MM&K and are part of the Risk Aligned Rewards team providing specialist remuneration advice to the banks and other financial institutions.
- In December 2009, MM&K and Obermatt, a Zurich-based performance and research consultancy, announced a strategic partnership to promote the Obermatt Bonus Index in the UK. Based on an index of comparative operating performance, the Obermatt Bonus Index is a new and objective way for companies to evaluate independently their executive bonus policies. Already launched in continental Europe, the Bonus Index for the UK FTSE100 was published on 2 December 2009.

MM&K is owned by its employees and directors.

1 Bengal Court
Birchin Lane
London
EC3V 9DD

T: 020 7283 7200
www.mm-k.com


INDEPENDENT
REMUNERATION
SOLUTIONS