

More pain, more gain?

Non-executive director survey 2010



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Foreword

As we approach the end of 2010 it is timely to reflect on the role of the non-executive director (NEDs). Much has happened this year from the review of the Combined Code to updates from institutional shareholders on their guidelines. And of course the economic environment is no less challenging when considering how to carry out your duties as a non-executive.

Our survey looks at the role of non-executive directors, the fees paid and the structure of boards in FTSE 350 companies. Our findings are based on the views of non-executive directors and company secretaries, supplemented with data collected from annual reports and accounts. We thank the 110 participants that responded for their contributions to this survey, and the insight they have provided into what life in the boardroom is really like.

It has been a difficult few years for most company boards. At the start of the global financial crisis, many boards battened down the hatches and prepared for the worst; growth and investment strategies were curtailed, cash preservation became paramount and many directors faced the unpleasant task of cutting headcount.

While the economic outlook is still uncertain, many companies have emerged from the crisis in relatively good shape and are ready for the upturn. The fact that so many companies survived and are generally well governed is often overlooked by the critics of the current board structure, who call for increased regulation and compliance.

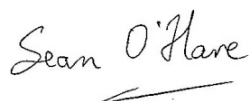
Our survey shows non-executives feel the biggest boardroom challenge they currently face is dealing with the new regulatory environment. Regulation is cited as the main factor that hinders non-executives in performing their role effectively; the increase in regulation has also made the role less attractive for a number of respondents.

All non-executives have seen an increase in time commitment and the majority of respondents expect their time commitment to increase by an average of five days. Nearly half of all non-executives felt that their fees were too low given the increased time commitment and reputational risk. An increase of 25% on current fee levels was considered to be appropriate by the majority of those that thought their fees were too low. However, nearly 60% of non-executives surveyed did not envisage receiving an increase in the next financial year given the current economic environment and wage restraint in the wider workforce.

Interestingly, 63% of non-executives believe the role has become more attractive over the past few years, principally due to the challenging and more complex nature of the role and the individual's ability to add value. Boards will have a number of issues to address as a result of the new regulations and guidelines including the UK Corporate Governance Code (formerly known as the Combined Code).

It remains to be seen how companies respond to issues such as board diversity, risk and executive pay. We look forward to reporting on any developments in next year's survey.

We hope you find this non-executive survey useful when reviewing your own board practices. For further information on this survey and PwC's non-executive director development programme, please contact me or one of the individuals named at the back of this publication.



Sean O'Hare
Partner

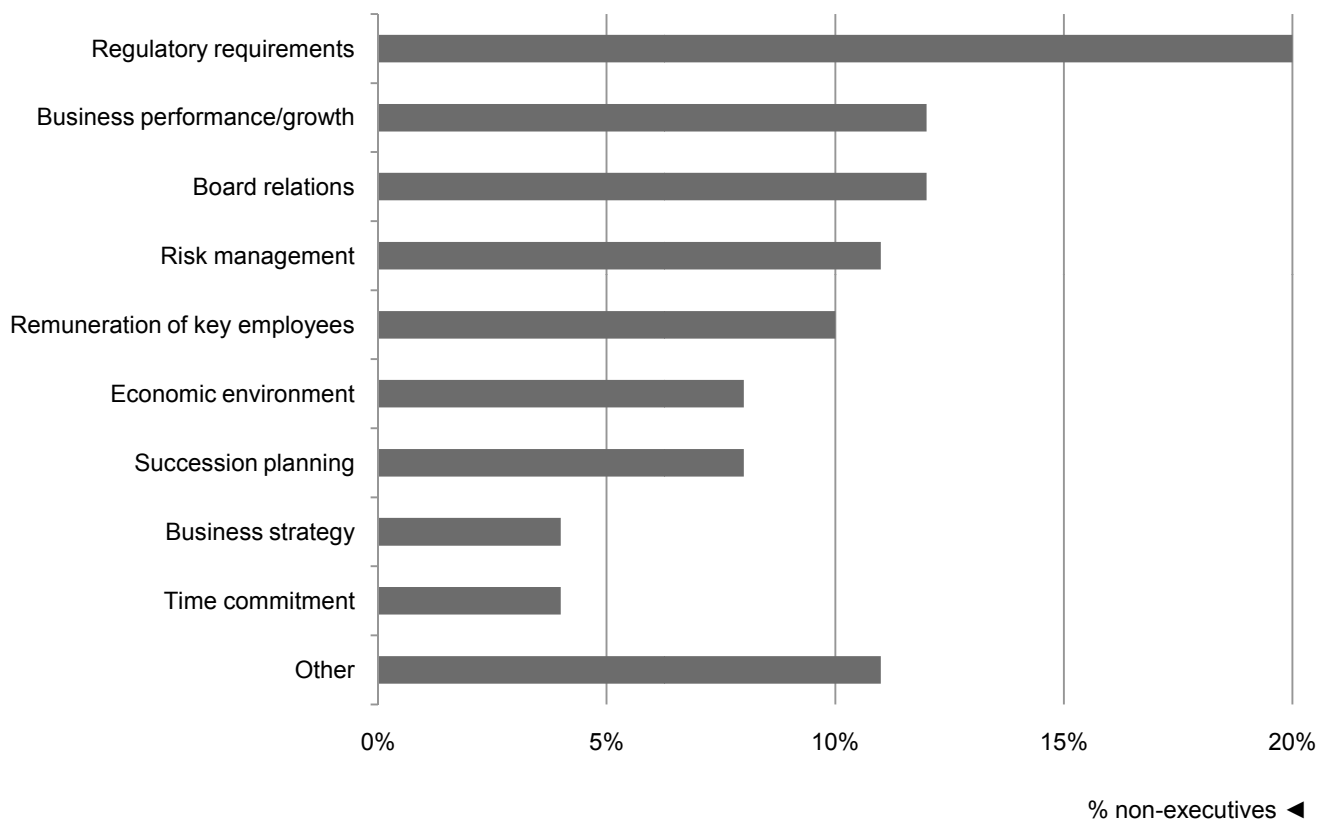
Roles and responsibilities

Roles and responsibilities

Challenges for non-executives

The current regulatory environment is the biggest challenge for non-executives.

The most common challenge cited by non-executives is regulation (20%). Other challenges include business performance, board relations and risk.



Source: PwC Non-executive survey 2010

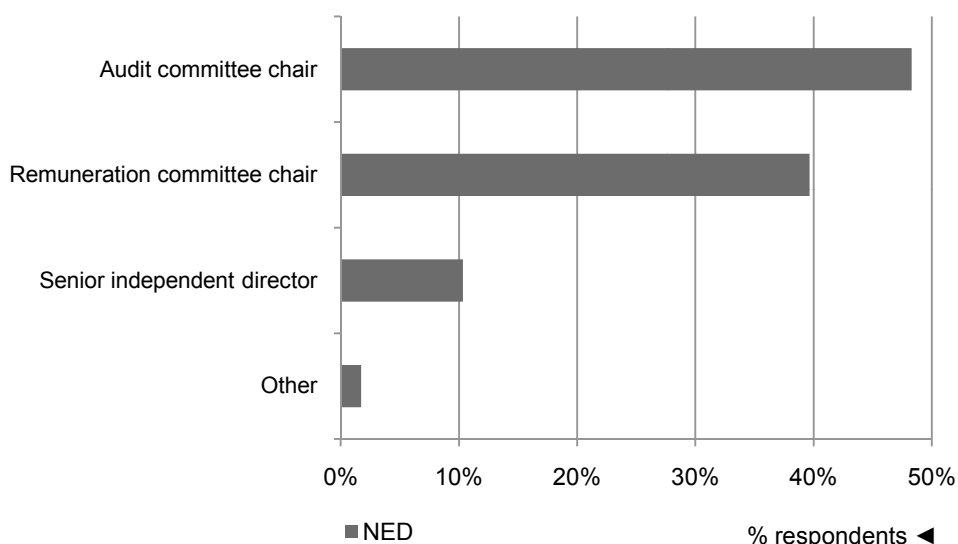
Roles and responsibilities

The non-executive role

63% of non-executives think the role has become more attractive over the past few years due to its challenging nature and the ability to add value.

For the remainder who think it has become less attractive, the majority cited the increased regulatory burden and reputational risk associated with the role as negative changes in recent years.

Other than the company chair, the audit committee chair is seen by non-executives as the most challenging role. This is closely followed by the role of the remuneration committee chair.



Source: PwC Non-executive survey 2010

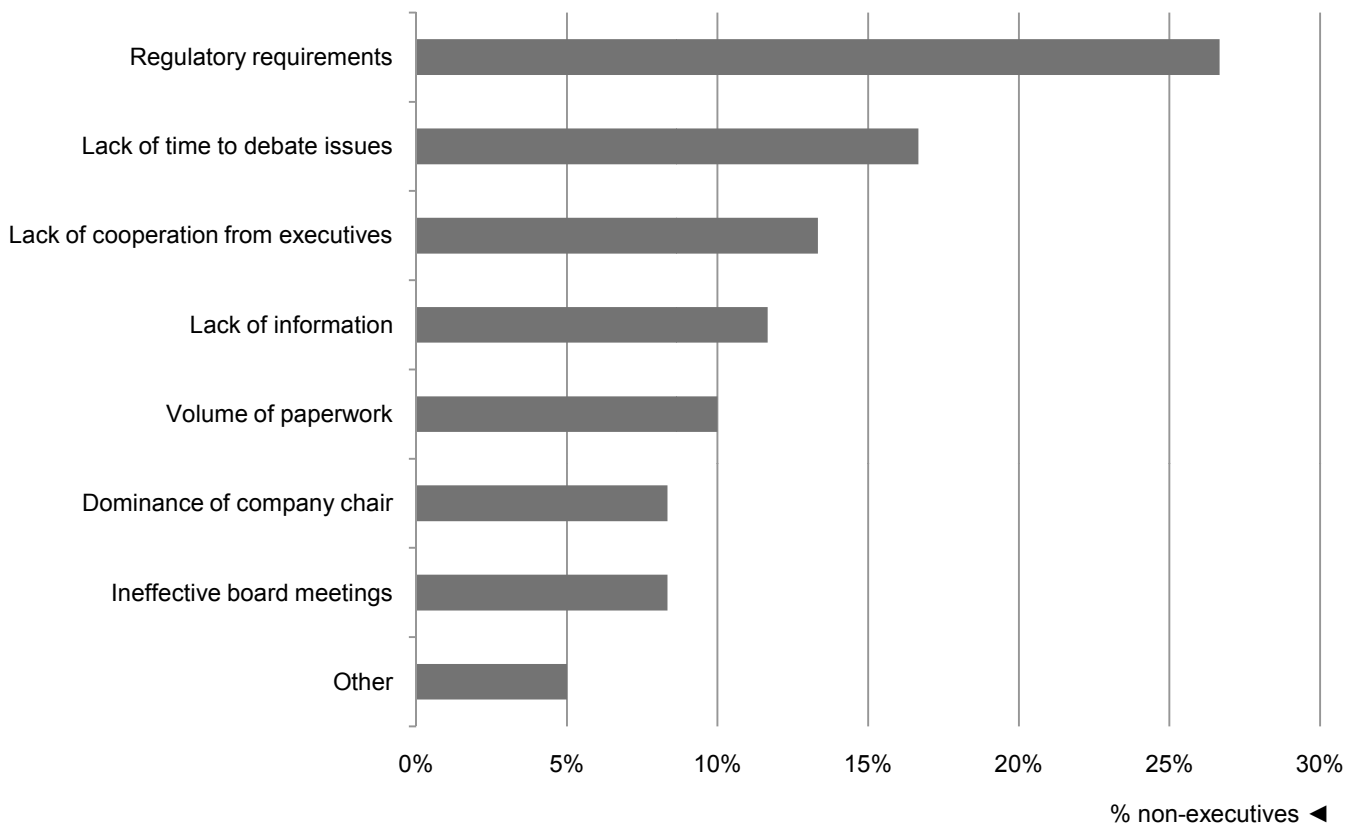
Where both fees are paid, 60% of companies across the FTSE 350 pay equal fees to the audit and remuneration committee chairs.

This is perhaps an indication that the audit and remuneration committee chair roles are starting to be viewed as equal in scope and responsibility.

Roles and responsibilities

The majority of non-executives feel that regulatory requirements hinder their ability to perform their role.

Other factors include a lack of time to debate issues and a lack of cooperation from executives.



Source: PwC Non-executive survey 2010

Roles and responsibilities

Role of the senior independent director

The senior independent director is seen by company secretaries as an intermediary between other non-executives, shareholders and the company chair. Around 10% of non-executives consider the senior independent role to be the most challenging on the board (see page 7). However, with the Financial Reporting Council's (FRC) UK Corporate Governance Code 2010 placing further emphasis on the importance of the senior independent director role, this view may change. For further information on the UK Corporate Governance Code, please see page 38.

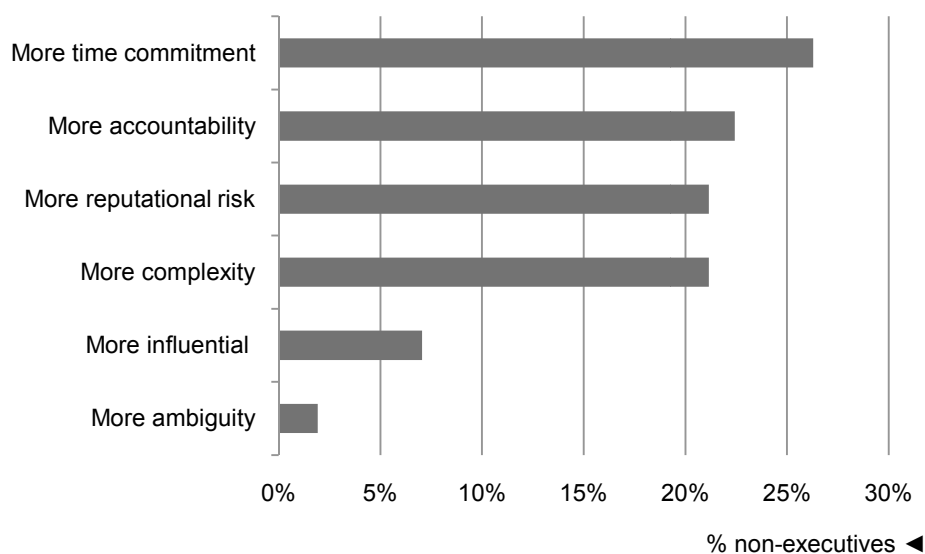
Key functions of the senior independent director role

% respondents	FTSE 100	FTSE 250
Intermediary for other non-executives	83	65
Sounding board for the company chair	74	65
Intermediary between shareholders and company chair	74	57
Resolving conflicts on the board	30	22
Other	13	9

Source: PwC Company secretary survey 2010

Changes to the non-executive role

Non-executives think their role has changed over the last few years. More than a quarter (26%) have seen increases in time commitment (see page 28 for more details). Other changes include increased accountability, reputational risk and complexity.



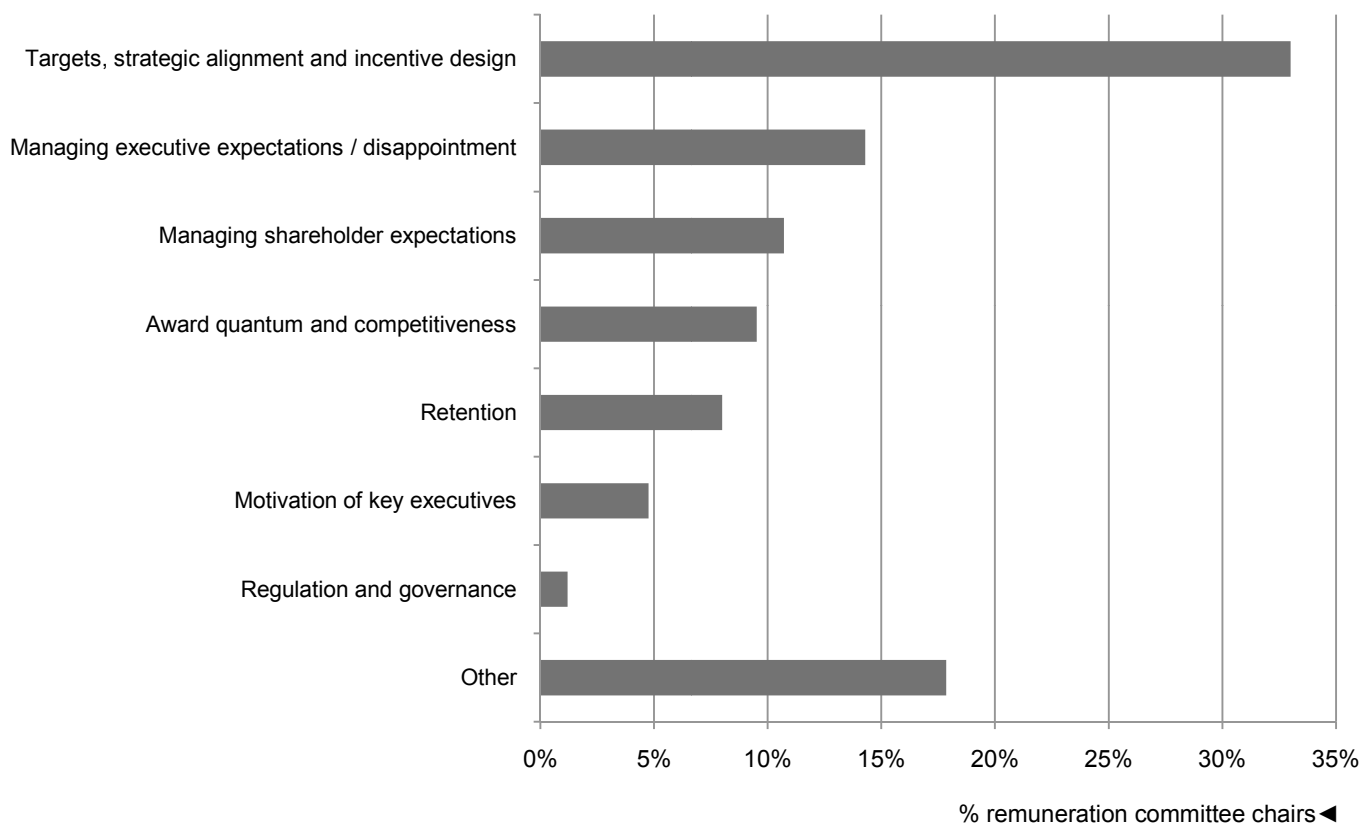
Source: PwC Non-executive survey 2010

Roles and responsibilities

Remuneration committees

33% of remuneration committee chairs believe their main challenge over the next year will be setting performance targets and designing incentives that are linked to business strategy.

Managing both executive and shareholder expectations are also high up the list of challenges remuneration committees expect to face.



'Other' includes recruitment and wider company remuneration issues.

Source: PwC Non-executive survey 2010

Roles and responsibilities

Remuneration committees

59% of remuneration committee chairs find dialogue with key shareholders on remuneration related matters to be constructive.

However, over half of respondents think the shareholder representative bodies and proxy voting agencies hinder engagement on remuneration matters.

Many NEDs commented that both shareholders and their representative bodies are too concerned with 'box-ticking' and are easily swayed by the media. In July 2010, the FRC published its first UK Stewardship Code to promote better engagement between investors and companies. With constructive interaction between boards and their major shareholders, it is hoped perceptions of 'box-ticking' will diminish.

80% think remuneration advisers add value.

This is primarily by providing an independent view and knowledge of market practice and trends.

75% think that the current period of executive pay restraint will continue for the foreseeable future.

Public perception and political pressure are the most common reasons for this, followed by economic constraints.

92% think the recent global economic crisis and regulatory developments have empowered remuneration committees to be tougher on executive pay.

The majority of remuneration committee chairs feel pressure from investors, regulatory requirements and the need to align reward with risk will enable them make more difficult decisions and manage executive expectations better.

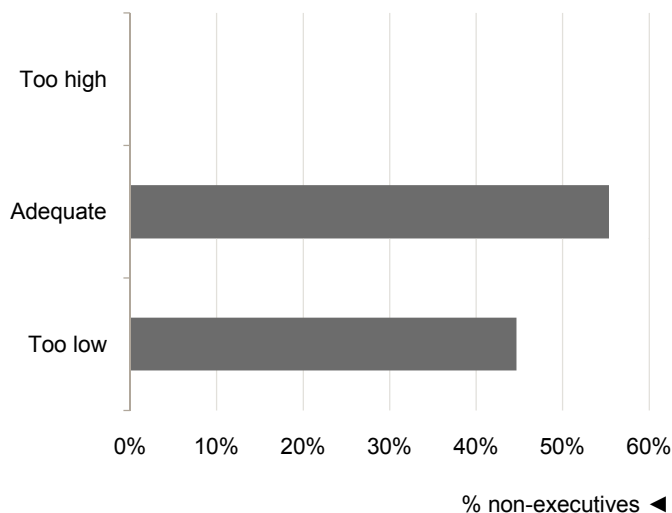
Fee levels and other remuneration

Fee levels and other remuneration

Nearly half of non-executives (45%) consider their fees to be too low, stating that a 25% increase in fees would be appropriate.

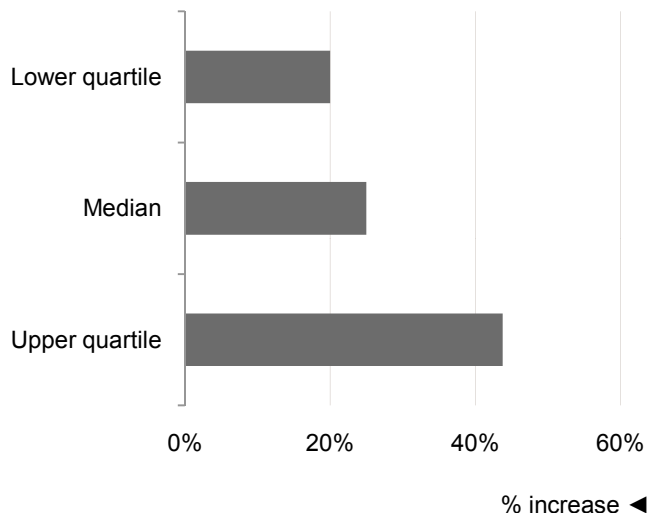
However, the remainder of non-executives surveyed consider their fees to be adequate.

Adequacy of fee levels



Source: PwC Non-executive survey 2010

Desired % increase in fees



Source: PwC Non-executive survey 2010

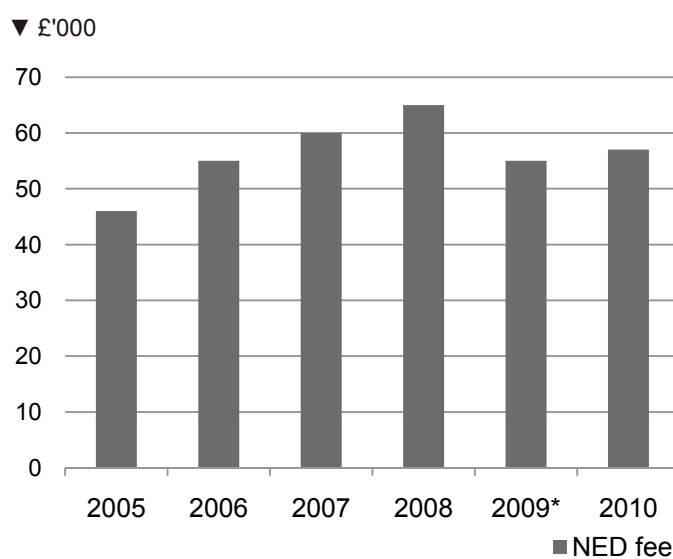
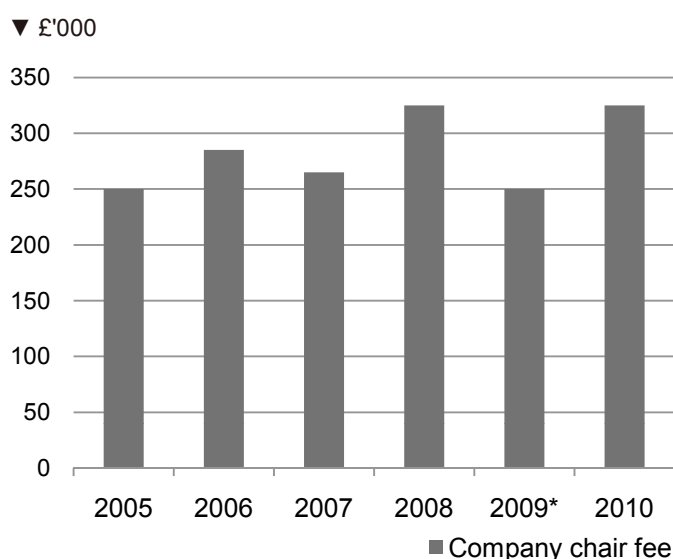
43% of companies surveyed had reviewed non-executive director fees in 2010. However, 13% of companies have not reviewed fees since 2007.

60% of non-executives surveyed do not envisage a fee increase over the next financial year.

Fee levels and other remuneration

Fee levels over the past six years

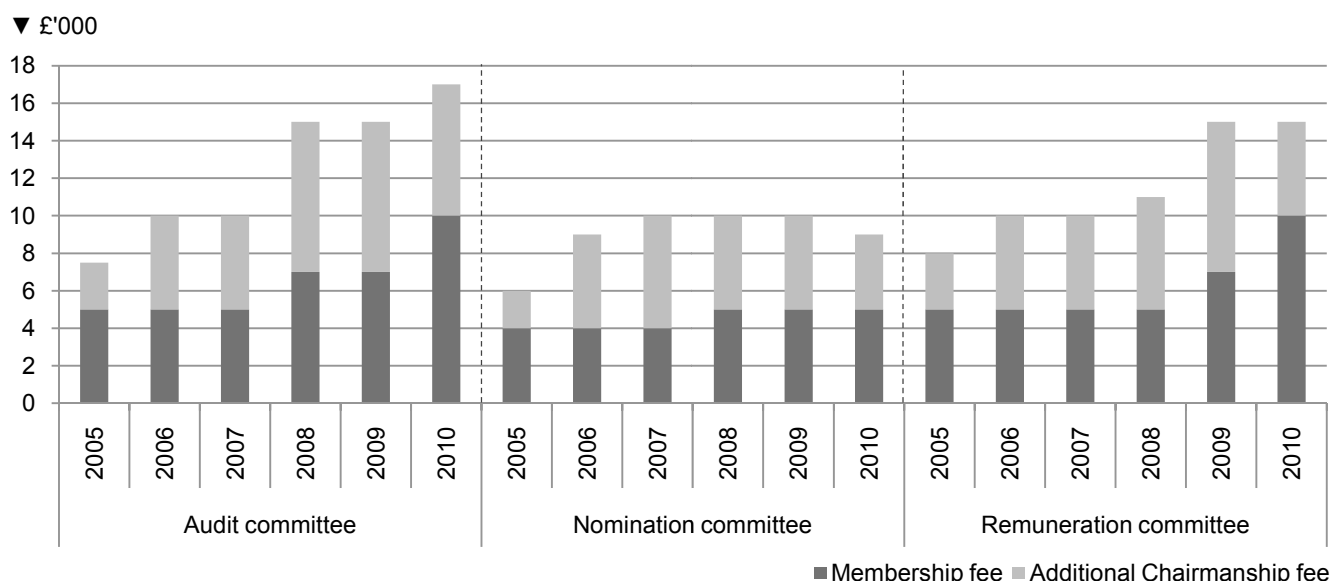
After a decrease in fees, largely attributable to changes in FTSE constituents due to the economic environment, fee levels are broadly at the same level as 2008.



* In 2009, fee levels for non-executives were lower due to changes in the FTSE 100.

Source: PwC Reward database

In light of the growing responsibility and time commitment required from the NED role, we are seeing fees of FTSE 100 non-executives increasing. This trend is likely to continue as the demands on the role intensify.



Source: PwC Reward database

Fee levels and other remuneration

Annual fee increases in 2010

53% of companies in the FTSE 100 increased non-executive base fees in 2010. Fee information is based on the stated policy level for each company, as disclosed in the latest annual reports.

% companies that increased fees in 2010

	FTSE 100	FTSE 250
Company chair (total fee)	66	45
Deputy chair (total fee)	70	-
Senior independent director (additional fee)	36	21
Non-executive director (base fee)	53	37
Audit committee chair (additional fee)	35	24
Nomination committee chair (additional fee)	42	-
Remuneration committee chair (additional fee)	30	35
Audit committee member (additional fee)	26	50
Nomination committee member (additional fee)	38	-
Remuneration committee member (additional fee)	25	-

Source: PwC Reward database

Fee levels and other remuneration

While base fee increases for non-executives were generally around 11% (excluding nil increases), overall the highest increases were in committee chair and membership fees. There has been a significant increase in fee levels for senior independent directors.

% increase

	FTSE 100	FTSE 250
Company chair (total fee)	11	10
Deputy chair (total fee)	14	-
Senior independent director (additional fee)	38	18
Non-executive director (base fee)	11	11
Audit committee chair (additional fee)	25	18
Nomination committee chair (additional fee)	27	-
Remuneration committee chair (additional fee)	26	25
Audit committee member (additional fee)	27	22
Nomination committee member (additional fee)	28	-
Remuneration committee member (additional fee)	27	-

Analysis excludes nil increases

Source: PwC Reward database

£'000 increase

	FTSE 100	FTSE 250
Company chair (total fee)	38	10
Deputy chair (total fee)	15	-
Senior independent director (additional fee)	5	2
Non-executive director (base fee)	5	4
Audit committee chair (additional fee)	5	1
Nomination committee chair (additional fee)	2	-
Remuneration committee chair (additional fee)	5	1
Audit committee member (additional fee)	2	1
Nomination committee member (additional fee)	1	-
Remuneration committee member (additional fee)	2	-

Analysis excludes nil increases

Source: PwC Reward database

Fee levels and other remuneration

Fee levels in 2010

The median chairman salary in the FTSE 100 is £325,000 compared to £150,000 in the FTSE 250.

Company chair

Total fee

£'000	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
Lower quartile	417	340	218	250	121	96
Median	550	450	260	325	164	150
Upper quartile	671	619	303	450	240	185

Source: PwC Reward database

Deputy chair

Total fee

£'000	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
Lower quartile	131	114	-	95	-	52
Median	159	159	84	114	62	60
Upper quartile	178	186	-	163	-	64

Please note there are only 42 deputy chair roles in our FTSE 350 sample (20 in the FTSE 100, 22 in the FTSE 250). Source: PwC Reward database

Fee levels and other remuneration

Senior independent director

Additional fee

£'000	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
Lower quartile	18	13	8	10	5	5
Median	20	20	10	13	9	5
Upper quartile	30	25	13	20	12	10

Source: PwC Reward database

Total fee

£'000	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
Lower quartile	94	85	63	69	54	45
Median	106	105	70	89	60	55
Upper quartile	115	115	94	107	71	67

Source: PwC Reward database

Non-executive director

Base fee

£'000	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
Lower quartile	63	60	45	51	35	33
Median	70	66	53	57	44	40
Upper quartile	75	75	55	69	50	48

Source: PwC Reward database

Total fee

£'000	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
Lower quartile	75	70	51	60	40	35
Median	90	86	60	73	48	44
Upper quartile	120	115	70	100	55	52

Source: PwC Reward database

Fee levels and other remuneration

Audit committee chair

Additional fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
% companies paying additional fee	97	96	94	95	61	65
£'000						
Lower quartile	16	15	10	12	8	5
Median	25	20	13	17	10	8
Upper quartile	35	30	20	25	15	10

Source: PwC Reward database

Total fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
£'000						
Lower quartile	97	85	60	68	46	40
Median	118	113	69	93	60	48
Upper quartile	146	140	100	123	70	60

Source: PwC Reward database

Audit committee member

Additional fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
% companies paying additional fee	60	52	33	43	17	13
£'000						
Lower quartile	10	7	5	5	4	2
Median	15	10	5	10	5	4
Upper quartile	20	19	13	15	5	5

Source: PwC Reward database

Fee levels and other remuneration

Nomination committee chair

Additional fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
% companies paying additional fee	23	20	10	15	7	9
£'000						
Lower quartile	-	7	-	6	-	5
Median	15	11	5	10	-	5
Upper quartile	-	20	-	15	-	8

Source: PwC Reward database

Total fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
£'000						
Median	-	-	-	86	-	47

Source: PwC Reward database

While the policy fee for the nomination committee chair is often disclosed (as shown for additional fee), the role of nomination committee chair is typically performed by the company chair, who will not usually receive an additional fee.

Nomination committee member

Additional fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
% companies paying additional fee	37	32	19	26	5	4
£'000						
Lower quartile	5	5	5	5	-	3
Median	9	5	5	5	-	3
Upper quartile	12	10	8	10	-	5

Source: PwC Reward database

Fee levels and other remuneration

Remuneration committee chair

Additional fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
% companies paying additional fee	90	88	92	90	56	58
£'000						
Lower quartile	15	12	10	10	7	5
Median	20	15	10	15	8	7
Upper quartile	26	22	15	20	11	10

Source: PwC Reward database

Total fee

£'000	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
Lower quartile	95	90	61	69	45	44
Median	112	110	69	84	52	50
Upper quartile	130	130	75	111	64	59

Source: PwC Reward database

Remuneration committee member

Additional fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
% companies paying additional fee	60	52	31	42	14	12
£'000						
Lower quartile	9	6	4	5	-	3
Median	10	10	5	10	5	4
Upper quartile	15	14	11	13	-	5

Source: PwC Reward database

Fee levels and other remuneration

Risk committee

Risk committees are less prevalent in the FTSE 250, therefore fee information is only presented for the FTSE 100.

% companies with risk committee

	FTSE 100			
	1-30	1-50	51-100	All
% companies with risk committee	21	18	10	14

Source: PwC Reward database

Risk committee chair

Additional fee

	FTSE 100			
	1-30	1-50	51-100	All
% of those companies paying additional fee	71	67	80	71
£'000				
Median	40	33	12	23

Source: PwC Reward database

Total fee

	FTSE 100			
£'000	1-30	1-50	51-100	All
Median	111	97	-	93

Source: PwC Reward database

Risk committee member

Additional fee

	FTSE 100			
	1-30	1-50	51-100	All
% of those companies paying additional fee	57	56	20	43
£'000				
Median	18	15	-	12

Source: PwC Reward database

Fee levels and other remuneration

Other committee

Other committees are typically corporate social responsibility, health and safety and investment committees.

% companies with other committee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
% companies	56	54	25	40	21	16

Source: PwC Reward database

Other committee chair

Additional fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
% of those companies paying additional fee	53	56	50	54	-	19
£'000						
Lower quartile	15	10	-	10	-	-
Median	19	15	10	12	-	10
Upper quartile	22	20	-	20	-	-

Source: PwC Reward database

Total fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
£'000						
Lower quartile	90	87	60	70	45	44
Median	105	102	67	90	53	56
Upper quartile	140	135	74	119	64	70

Source: PwC Reward database

Other committee member

Additional fee

	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
% of those companies paying additional fee	26	22	33	26	-	5
£'000						
Median	10	8	5	6	-	-

Source: PwC Reward database

Fee levels and other remuneration

Payment in shares

33% of non-executives think part of their fees should be paid in shares, with the majority citing 25% of total fees as being appropriate.

18% of FTSE 100 companies disclose that non-executives have a proportion of fees paid in shares. A further 14% have a shareholding requirement; where stated this is typically equal to 100% of annual fees. Non-executive shareholding is less common in FTSE 250 companies.

Company chairs receive a lower proportion of fees in shares than their non-executives, although in absolute terms the amount paid in shares is greater.

% fees paid in shares in the FTSE 100

	Company chair	Other non-executive
Lower quartile	10	20
Median	19	25
Upper quartile	31	35

Source: PwC Reward database

Fee levels and other remuneration

Other payments and benefits

22% of non-executives think fees should be paid on a daily rate basis.

Currently, less than 1 in 10 FTSE 350 companies (9% FTSE 100, 5% FTSE 250) pay fees on a daily rate basis.

A small number of companies provide a benefit allowance on top of base and committee fees.

Where provided, the majority of supplementary fees are for a company car and travel allowances, particularly for meetings overseas.

The majority of company chairs have the use of a personal office and secretary.

Around 80% of company chairs in the FTSE 350 have the use of a personal office and secretary. These facilities are not generally extended to other non-executives.

Company chairs may also be eligible for a company car (or cash alternative) and access to a chauffeur.

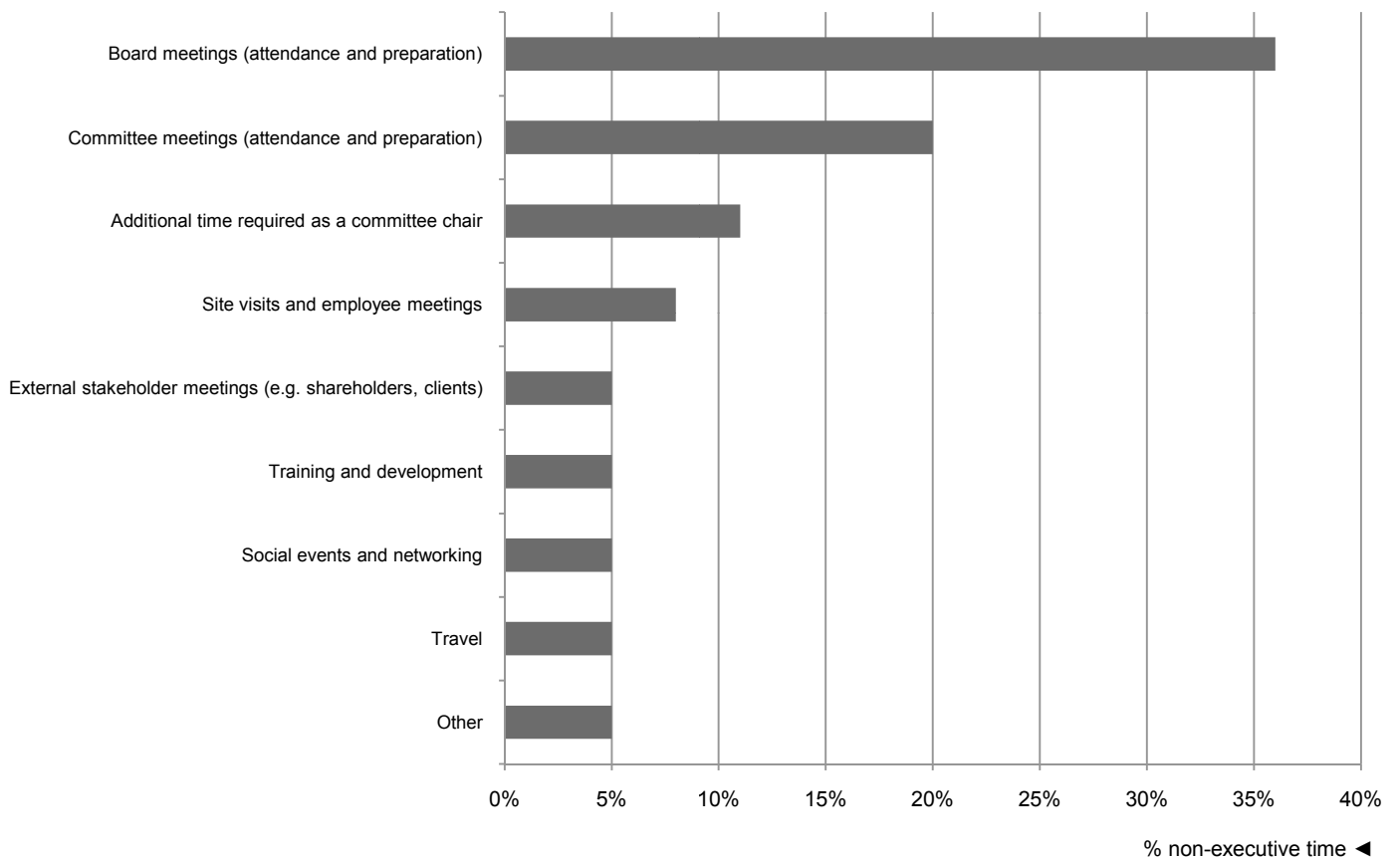
Source: PwC Non-executive survey 2010 and PwC Company secretary survey 2010.

Time commitment

Time commitment

Less than 15% of non-executives' time is spent on site visits and employee meetings or external stakeholder meetings.

The UK Corporate Governance Code states that in order to function effectively, directors need appropriate knowledge of the company and should have access to its operations and staff. The majority of non-executives' time, however, is spent preparing for and attending board and committee meetings.



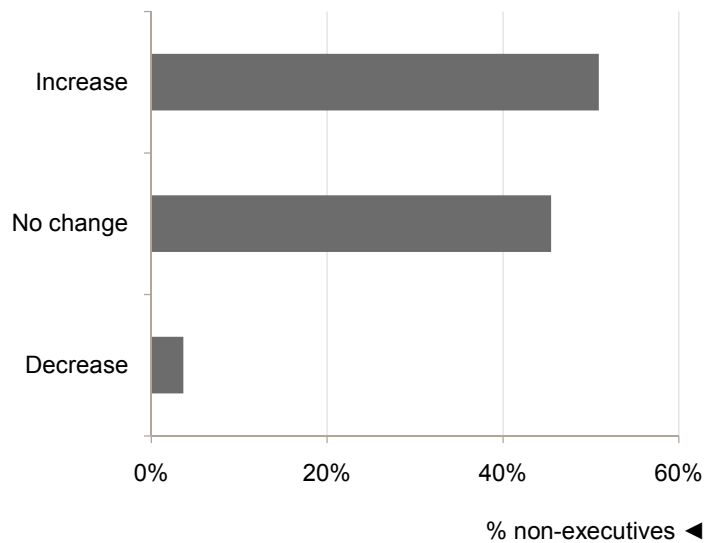
Source: PwC Non-executive survey 2010

Time commitment

51% of non-executives expect time commitment to increase.

The average increase in expected time commitment is five days per year.

The most common reasons for the increase in time commitment were due to more risk and regulatory requirements, and more demanding business challenges.



Source: PwC Non-executive survey 2010

Since 2009, non-executive time commitment has increased by an average of four days per year. There has been no change for company chairs.

Time commitment (estimate of days per annum)

	FTSE 100	FTSE 250
Company chair	100	48
Senior independent director	28	24
Committee chair	30	24
Non-executive director	24	20

Source: PwC Company secretary survey 2010

As the role of non-executives becomes more important in ensuring companies follow corporate governance best practice, the majority of company secretaries envisage time commitment to increase for chair and membership of board committees. This is furthered by the UK Corporate Governance Code requirement that directors should allocate sufficient time to carry out their role effectively.

Board structure

Board structure

Diversity on the board

The UK Corporate Governance Code states diversity should be considered in non-executives appointments, particularly with regard to gender.

While diversity is a consideration when recruiting non-executives, the majority are recruited on the basis of experience, including competencies, sector experience and networks.

Key selection factors by companies when appointing non-executives

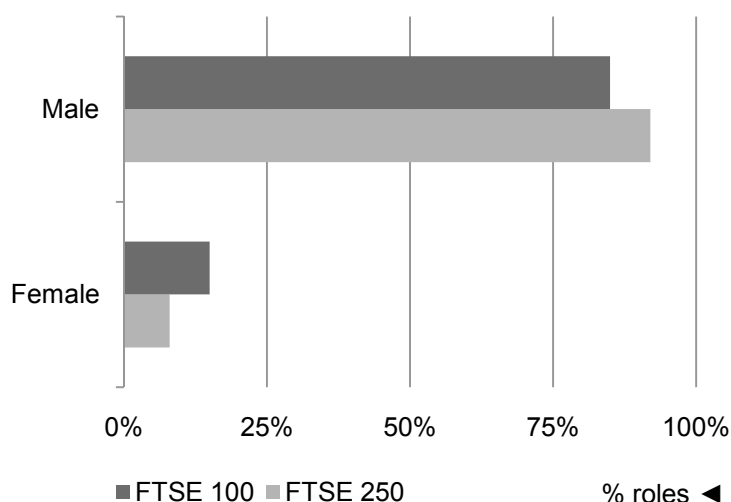
% respondents	FTSE 100	FTSE 250
Experience	67	65
Gender	10	0
Age	5	0
Ethnicity	5	5
Background	5	15
Nationality	5	5
Other	3	10

Source: PwC Company secretary survey 2010

2% of company chairs in the FTSE 350 are female.

Across all non-executive roles, 5% in the FTSE 100 and 8% in the FTSE 250 are female.

10% of company secretaries in the FTSE 100 listed gender as a consideration when recruiting non-executives.



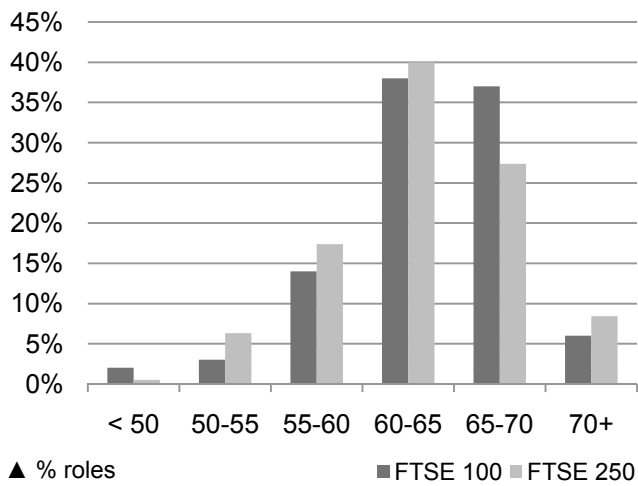
Source: PwC Reward database

Board structure

The average age of non-executives in the FTSE 350 is 61.

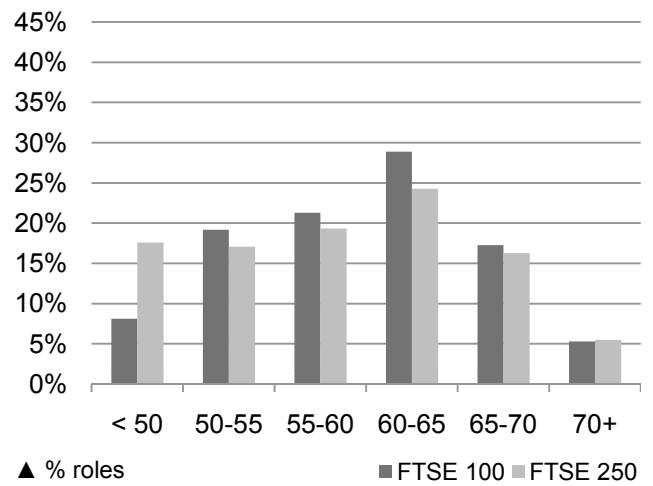
The majority of company chairs (71%) are aged between 60 and 70. 8% of non-executives in the FTSE 100 are aged below 50.

Age profile of company chair



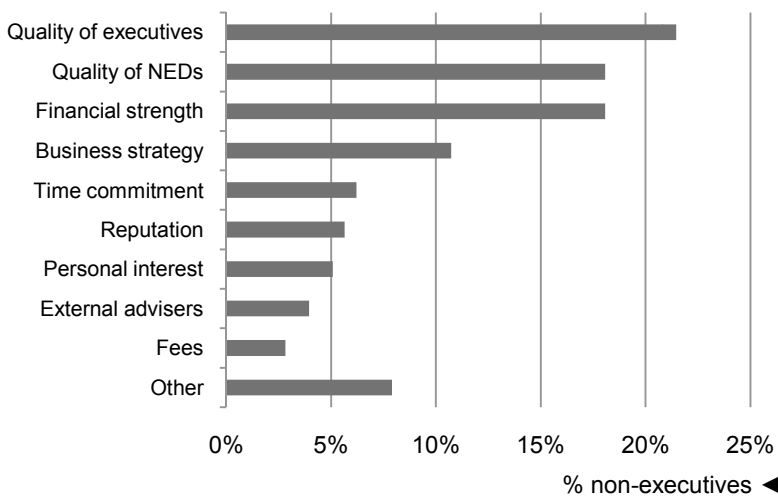
Source: PwC Reward database

Age profile of non-executives



Source: PwC Reward database

The key criteria that non-executives consider before accepting new appointments are the quality of the board, and financial strength of the company.



Source: PwC Non-executive survey 2010

While fees are a concern for a number of non-executives (see page 14), this is not a key consideration when taking on a non-executive appointment.

Board structure

Ratio of executive directors to non-executives

Larger companies typically have more non-executives, which is perhaps an indication of:

- the increasing importance of regulatory requirements and governance;
- the scope of responsibilities; and
- company profile.

Number of executives and non-executives

	FTSE 100			FTSE 250		
	Executive	Non-executive	Total	Executive	Non-executive	Total
Lower quartile	2	6	8	2	4	6
Median	3	7	10	3	5	8
Upper quartile	4	9	13	3	6	9

Source: PwC Reward database

Number of board committees

The majority of companies in the FTSE 100 have four committees, compared with three in the FTSE 250.

In the FTSE 100 all companies have audit, nomination and remuneration committees. Of those that have other committees:

- 17% have a corporate social responsibility committee;
- 14% have a risk committee. 80% of these are in the financial services sector, after the Walker Review in 2009 (and subsequently the FSA rules) recommended that risk committees should be established in all banks and other financial institutions;
- 11% have a health and safety committee (80% of these companies are within industrial/engineering companies).

Committees other than audit, nomination and remuneration are less common in FTSE 250 companies.

Board structure

Terms of appointment

Over three quarters of companies have a formal process to remove non-executives from the board. Most non-executives serve three terms on the board, with each term generally lasting for three years. Unlike board membership, the majority of companies rotate committee members every six years.

Frequency and reasons for removal

% respondents	FTSE 100	FTSE 250
After two terms	12	13
After three terms	65	50
Following a board evaluation	12	31
When a conflict of interest arises	29	31
Other *	29	38

Source: PwC Company secretary survey 2010

*Other includes longer fixed terms and terms subject to annual re-election after a specified period of time.

Number of years service

Years on board	FTSE 100		FTSE 250	
	Company chair	NED (excluding company chair)	Company chair	NED (excluding company chair)
Lower quartile	2	2	3	2
Median	6	4	5	4
Upper quartile	8	6	9	6

Source: PwC Reward database

Board structure

Limitations on non-executive appointments for executives

Over three quarters of FTSE 100 companies have a policy on external non-executive appointments for executives. However, 29% have either a limit of two or no limit at all. This is at odds with the UK Corporate Governance Code recommendation that FTSE 100 executives should hold no more than one non-executive appointment.

Limit on non-executive appointments for executive directors

% respondents	FTSE 100	FTSE 250
None permitted	0	6
1	71	56
2	8	19
No limit	21	19

Source: PwC Company secretary survey 2010

While most companies do not currently have a limit on non-executives holding other non-executive appointments, most are planning to introduce a limit.

Limit on other non-executive appointments for non-executives

% respondents	FTSE 100	FTSE 250
Yes	6	0
No	0	21
Plan to introduce	94	79

Source: PwC Company secretary survey 2010

Governance

Governance

Corporate governance best practice

On 28 May 2010, the FRC published the final version of the UK Corporate Governance Code 2010 (Governance Code), formerly known as the Combined Code. The Governance Code has adopted recommendations from the Walker Review of corporate governance in UK banks and other financial industry entities that the FRC believed should apply to all listed companies.

The Governance Code applies to all UK-listed companies for all financial years beginning on or after 29 June 2010. Companies are required either to follow the Governance Code or explain how else they are acting to promote good governance.

The Governance Code places greater emphasis on:

- leadership and effectiveness of boards, especially the role of the chairman and the responsibility of non-executives to constructively challenge and help develop proposals on strategy;
- board responsibility for determining the nature and extent of risk it is willing to take in achieving strategic objectives;
- increased skills, experience and knowledge alongside independence in selecting new appointments to the board;
- more effective reporting and communication between companies and their shareholders;
- challenging performance criteria on payouts or grants under all incentive schemes, including non-financial performance metrics where appropriate;
- the compatibility of performance-related pay with risk policies and systems, promoting long-term success;
- the consideration that should be given to clawback of variable pay in circumstances of misstatement or misconduct.

Changes companies making to comply with the Governance Code

Anticipated changes to comply with Governance Code

% respondents	FTSE 100	FTSE 250
External facilitation of board evaluation	54	75
Changes to training and development	46	38
Changes to responsibility of senior independent director	15	13
Changes to appointment process of non-executives	0	19
Contact with institutional investors	15	19
Process for risk management	23	44
Other *	31	19

* Other includes the annual election of non-executives

Source: PwC Company secretary survey 2010

A small number of companies are planning to introduce the annual election of non-executives. The Governance Code states all directors in the FTSE 350 should be subject to annual election. It is expected that than many companies will explain, rather than comply, in the immediate future.

Governance

Induction

Nearly one in five (19%) FTSE 250 companies do not have a formal induction process for NEDs. However, all FTSE 100 companies have a formal process in place.

The table below shows that contact with NEDs, and briefings by senior management are the most common forms of induction.

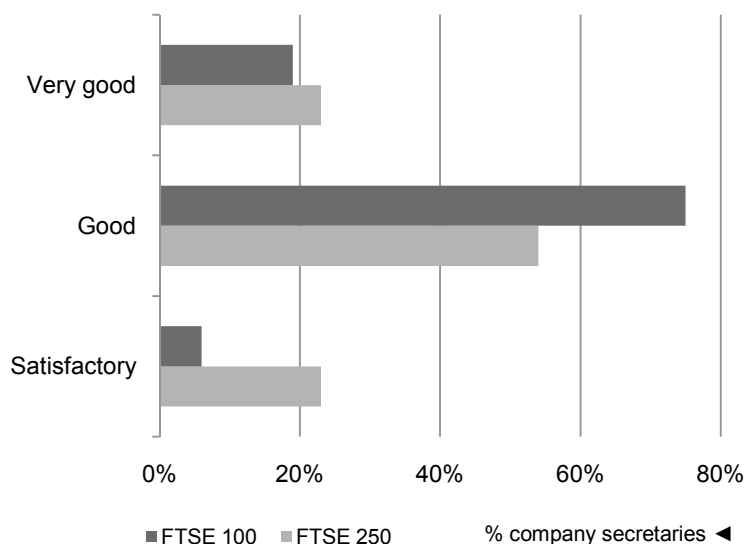
Type of induction	FTSE 100	FTSE 250
Contact with the company chair and other non-executives	92	100
Briefing by senior management and executives	92	90
Access to operations	79	71
Board induction pack	79	86
Meeting key employees	58	67
Presentations from functional heads	50	38
Meeting major shareholders	17	24

Source: PwC Company secretary survey 2010

Quality of induction

The majority of company secretaries in the FTSE 100 felt the induction process for non-executives was good. However, less than one in five (19%) felt it was very good.

Nearly a quarter (23%) of FTSE 250 company secretaries rated their non-executive induction as satisfactory.



Source: PwC Company secretary survey 2010

Governance

Board evaluations

The quality and leadership of the company chair, an open and honest culture with good dialogue between non-executives, timely and relevant information are all seen as the key factors promoting board or committee effectiveness.

The majority of companies perform board evaluations on an annual basis.

Frequency of board evaluations

% respondents	FTSE 100	FTSE 250
Annually	90	79
Every two years	5	5
Every three years	0	5
Plan to introduce	5	0
Other	0	11

Source: PwC Company secretary survey 2010

Overall, company secretaries view board and committee evaluations to be more useful than individual director evaluations.

Usefulness of evaluations

% respondents	Board evaluation		Committee evaluation		Director evaluation	
	FTSE 100	FTSE 250	FTSE 100	FTSE 250	FTSE 100	FTSE 250
Very useful	44	32	39	24	25	33
Quite useful	50	68	55	76	69	61
Neither/nor	6	0	6	0	0	6
Not very useful	0	0	0	0	6	0

Source: PwC Company secretary survey 2010

Governance

Formal performance evaluations in the last year

While most board evaluations are performed on an annual basis, individual evaluations are less frequent.

Companies performing individual director evaluations

% respondents	FTSE 100			FTSE 250		
	Yes	No	Plan to introduce	Yes	No	Plan to introduce
Company chair	21	79	0	18	65	18
Committees	11	89	0	18	71	12
Non-executives	21	79	0	6	76	18

Source: PwC Company secretary survey 2010

Most recent board evaluation

Questionnaire based evaluations are the most common methods of board evaluation. The UK Corporate Governance Code states FTSE 350 companies should have externally facilitated board evaluations at least every three years. Currently, nearly one third of FTSE 350 companies do so.

Type of board evaluation

% respondents	FTSE 100	FTSE 250
Externally facilitated	31	29
Informal discussion	13	29
Interview based	50	29
Peer assessment	6	12
Questionnaire based	63	65
Self-evaluation	0	0

Source: PwC Company secretary survey 2010

External facilitation in board evaluations

The majority of company secretaries think external facilitation of board evaluations adds objectivity and value to the process.

Usefulness of external facilitation

% respondents	FTSE 100	FTSE 250
Adds a degree of objectivity to the process	67	54
Adds value to the process	58	62
Is unnecessary or undesirable	8	8
Is not a valuable use of resources	8	0
Other	0	15

Source: PwC Company secretary survey 2010

Governance

Attendance at institutional investor meetings

The majority of FTSE 100 companies hold more than 20 institutional investor meetings each year. Of these, most non-executives attend less than 10% of meetings. Despite being seen as an intermediary between the board and institutional investors by the majority of FTSE 350 companies, only 40% of senior independent directors have been present at institutional investor meetings.

% board members present at institutional investor meetings

% respondents	FTSE 100	FTSE 250
Chief executive officer (CEO)	87	89
Chief financial officer (CFO)	80	94
Company chair	80	67
Senior independent director	40	39
Other non-executive	40	11

Source: PwC Company secretary survey 2010

Investors rarely seek to meet with non-executives. In most companies, updates will be circulated to non-executives by the CEO or CFO. The UK Stewardship Code aims to promote better engagement between shareholders and companies, and as such we may start to see more non-executive involvement with investors.

Risk

Around 90% of company secretaries in the FTSE 350 think their company's risk appetite is clearly debated and defined.

Where risk is covered at board meetings, it is most commonly through the audit committee, or as a specific agenda item. However, more companies are establishing separate risk committees, particularly in the financial sector.

Coverage of risk

% respondents	FTSE 100	FTSE 250
As specific agenda item	63	50
Via audit committee	69	72
Via risk committee	38	44
Via safety, health and environmental committee	25	11
Via report from head of internal audit and/or risk	63	44

Source: PwC Company secretary survey 2010

When risk is covered, the board will review risk management systems, financial and operational controls, compliance controls and whistle-blowing.

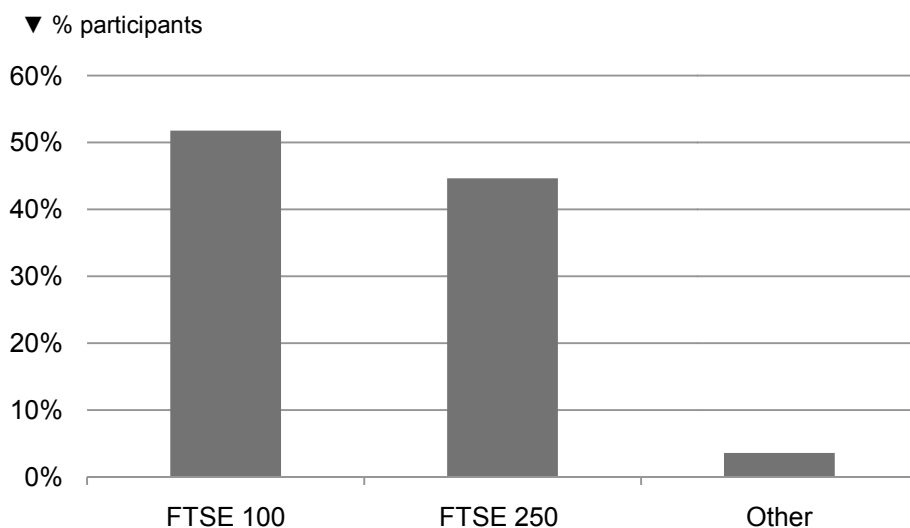
Appendices

Appendix I: Participant information

The following companies have given us permission to list them as participants. A further thirteen participants did not want to be named. Please note the list below shows participants providing company secretary survey information only.

Aberdeen Asset Management	Kesa Electricals
Alliance Trust	Legal & General Group
Anglo American	Lonmin
AstraZeneca	Mitchells & Butlers
BT Group	Old Mutual
Caledonia Investments	Pearson
Centrica	Punch Taverns
Close Brothers Group	QinetiQ Group
Colt Technology Services Group	Royal Bank of Scotland Group
Computacenter	Royal London Group
CSR	Schroders
Diageo	Standard Life
EAGA	Tesco
Experian	Thomas Cook Group
GKN	United Business Media
GlaxoSmithKline	Vodafone Group
Great Portland Estates	WPP
Inmarsat	WS Atkins
J Sainsbury	

PwC company secretary participants split by FTSE listing



Appendix II: Methodology

Data collection period

Data type	Collection date	Number of companies
Non-executive survey	August 2010	60
Company secretary survey	July – August 2010	50
FTSE 350 annual report data	Financial year ends from 1 April 2009 to 31 March 2010	313

Annual report data assumptions

Market capitalisation	As at 1 October 2010
FTSE ranking	6 month average of FTSE rank to 1 October 2010 using month-end ranking

FTSE split	Ranking by market cap	Number of companies
FTSE 30	1 – 30	30
FTSE 50	1 – 50	50
FTSE 51-100	51 - 100	49
FTSE 100	1 – 100	99
FTSE 101-150	101 – 150	43
FTSE 250	101 – 350	214

Investment trusts and newly listed companies (where no annual report is available) are not included in the fee analyses.

Sample size - number of roles	FTSE 100				FTSE 250	
	1-30	1-50	51-100	All	101-150	All
Company chair	30	45	48	93	41	213
Deputy chair	11	16	4	20	6	22
Senior independent director	25	38	43	81	42	199
Non-executive director	259	343	208	551	201	837

Fee definitions

All fee analyses are based on the most recent stated policy levels, for each company.

Fee type	Definition
Base fee	Base fee, excluding all additional fees
Additional fee	Senior independent director, committee chair and membership fees
Total fee*	Sum of base and additional fee

* Fee analyses are based on the most recent stated policy levels, for each role disclosed. If stated policy is unavailable, total fees as disclosed in the emoluments table are used.

Where companies state policy levels for new joiners, these roles have been included in total fee analyses. Leavers have been excluded from all fee analyses.

Appendix III: Contacts

To find out more about this survey, or to discuss any of the findings, please contact one of the individuals below, or your usual PwC contact.

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