

## **Remuneration Consultants' Group**

The biennial review of the Code of Conduct and the annual review of its effectiveness and implementation

January 2014

[this page is intentionally left blank]

21 January 2014

Since its formation in 2009, the purpose of the Remuneration Consultants Group has been the development and stewardship of the voluntary Code of Conduct (the "Code"). The Code sets out the role of executive remuneration consultants and describes the professional standards by which they advise their clients.

In order to ensure the Code continues to achieve its aims and remains fit for purpose, the RCG regularly reviews its content and the effectiveness of its implementation. The RCG believes that a disciplined approach to monitoring the Code is an essential part of the RCG's remit and to the success of the Code.

The review this year was the second since the Code's inception. The process followed a similar approach to that adopted in 2011 and was based on consultation with external stakeholders including Remuneration Committee Chairs, institutional shareholders and other interested parties.

I am pleased to say that the consultation was productive, helpful and informative. It was also reassuring to hear that the Code is recognised as playing an important role in making clear the professional standards of remuneration consulting in the UK.

The paper attached provides a summary of the review process, details the major themes, and outlines the specific amendments that will be made to the Code in 2014.

I would personally like to thank those individuals who took the time to meet either me or another RCG independent board member to share their views on the Code. The improvements to the Code could not have been achieved without this valuable input.

I would invite you to review the contents of this paper and, if you have any other insights, please do get in touch. I look forward to the next formal review process in 2015.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Martin Read', with a horizontal line underneath it.

Dr. Martin Read CBE

Chairman

[this page is intentionally left blank]

# Contents

---

<b>A. The RCG and its activities in 2013.....</b>	<b>6</b>
<b>B. The Review of the Code.....</b>	<b>8</b>
<b>C. The Review of the Effectiveness of the Code.....</b>	<b>13</b>
<b>Appendix A .....</b>	<b>20</b>
<b>1) Summary of the main consultation survey</b>	
<b>2) Major stakeholders consulted</b>	
<b>Appendix B.....</b>	<b>23</b>
<b>1) Effectiveness of the Code – Survey of Consultants</b>	
<b>2) Effectiveness of the Code – Questionnaire for Senior Consultants</b>	
<b>Appendix C.....</b>	<b>28</b>
<b>The Code of Conduct with suggested amendments</b>	

## A. The RCG and its activities in 2013

---

### Background

The Remuneration Consultants Group Limited ("RCG") represents the overwhelming majority of executive remuneration consultancy firms advising UK listed companies. The intent is that every firm advising a FTSE 350 Remuneration Committee is encouraged to join the Group.

The current member firms are:

Aon Hewitt	Kepler Associates	Patterson Associates
Deloitte LLP	KPMG	PriceWaterhouseCoopers
FIT Remuneration Consultants	Mercer	Strategic Remuneration
Hay Group	MM&K Limited	Towers Watson

Since its formation in 2009, the aim of the RCG has been the development and stewardship of a voluntary Code of Conduct (the "Code") that clearly sets out both the role of executive remuneration consultants as well as the professional standards by which they advise their clients, of which the majority are Remuneration Committees.

The inception of the Code and the RCG arose after the publishing of the final recommendations of the Walker Review in November 2009. In this review, Sir David Walker advocated that it was requisite for the executive remuneration consultancy industry to form a professional body with the oversight of a code of conduct. The objective was to provide greater clarity on the role of executive remuneration consultants and ensure that high professional standards are maintained.

The inaugural RCG Code was included as an annex to the final recommendations of the Walker Review in November 2009 and the RCG put a formal constitution in place shortly thereafter.

### Board activity during 2013

Following the admission of KPMG during the course of the year, the RCG now has twelve members. The Board of comprises an independent Chairman, two independent non-executive directors, and four directors elected annually by the Members. They are all executive compensation consultants working for the member firms.

The Board meets four times a year. The attendance record of the Board members in 2013 is summarised overleaf.

Member	30 Jan	15 May	11 Sept	10 Dec
Martin Read (Chairman)	✓	✓	✓	✓
Philippa Hird (Ind. Director)	✓	✓	✓	✓
William Claxton-Smith (Ind. Director)	✓	✓	✓	✓
John Lee (Director)	✓	✓	✓	✓
Gordon Clark (Director)	✓	✓	Cyrille Vanoye representing	Cyrille Vanoye representing
Carol Arrowsmith (Director)	via telephone	✓	✓	✓
Katharine Turner (Director)	✓	✓	✓	✓

Where Member directors cannot attend, they are encouraged to send a representative of their firm.

Member firms have also met informally on two occasions during the year – on 20th March and 23rd October to discuss and debate arising executive compensation issues (e.g. revised disclosure legislation, etc.).

During 2013 the Board has:

- Agreed the workplan for 2013;
- Reviewed and updated the RCG's governance framework;
- Consulted with some key stakeholders and commentators on executive pay;
- Agreed the approach to, and overseen, the review of the Code – see Section B;
- Agreed the approach to, and overseen, the review of the effectiveness of the Code – see Section C;
- Made decisions to support the running of the RCG such as the approval of the accounts, the fees for members and the provision of secretariat services.

## **B. The Review of the Code**

---

### **The objective**

On publication of the Code in November 2009, the RCG committed to undertake a review during 2011 and once every two years thereafter. As part of this commitment, the consultation process was launched in 2013 to invite comments intended to inform decisions on whether the code (i) is achieving its aims, (ii) remains fit for purpose in its current form and (iii) can be improved to help better achieve its goals.

### **The process in 2013**

The Board agreed that the review would have two main elements:

- A. A letter would be sent from the RCG's Chairman to the Chairmen of the FTSE 350 remuneration committees (copying in the Chairman and Company Secretary), asking them to answer some short questions on the Code. The questions were enclosed in the letter but respondents were also able to respond through Survey Monkey (the web-based tool) - see Appendix A, part 1.
- B. A consultation process with a selection of Remuneration Committee Chairs on the boards of large and small companies, as well as, institutional shareholders and other interested parties, interviewed by the independent members of the RCG – either the Chairman or one of the independent non-executive directors and asked for their thoughts on the Code - see Appendix A, part 2 for a list of meetings.

The results of this review are summarised here. The letter and attached questions attracted 23 returned responses from Remuneration Committee Chairs. The consultation resulted in input from 20 interested parties with a range of stakeholders including Remuneration Committee Chairs, ISS, BIS, the NAPF and the ABI.

The major themes that emerged from the review and the responses to the consultation process are summarised here. The RCG expresses its thanks to all those individuals who took the time and trouble to participate in the consultation.

## The major themes

The major themes from both the survey responses and the interviews were:

- **Management of conflicts of interest**
  - A number of those consulted talked about a perceived conflict at firms that provide remuneration advice as well as other advisory services to the company (e.g. and in particular audit). Although not deemed a barrier to the provision of professional and independent advice, some said that greater reassurance that these conflicts were being effectively managed would be helpful.
- **Linkage of pay and performance**
  - Some of those consulted talked about a perceived decoupling of pay policy and company performance. A key objective for consultants should be to encourage the design of pay arrangements that establish this connection.
  - It was also noted that remuneration design should provide a clear link to company strategy and objectives.
- **Appropriateness of performance periods**
  - Some of those consulted discussed the importance of providing remuneration over an appropriate time period – monitored both by performance periods and eventual remuneration delivery.
- **Clarity of disclosure**
  - A few participants expressed a desire for clarity on how remuneration decisions are arrived at and further, that proper process is followed and independent and objective advice are received. The majority agreed that disclosure in the Directors' Remuneration Report that the adviser is a member of the RCG proved a most helpful reassurance on this point. [It is worth noting that this was an action taken from the 2012 review of the effectiveness of the Code – see page 15.] One shareholder asked if RCG members were encouraged to cite their membership in the group and adherence to the Code on their websites.

The 23 survey responses from Remuneration Committee Chairs are summarised below:

- **Question 1:** Have you read the Code of Conduct and/or been briefed on it? *All but four of the respondents indicated they had read the Code and/or been briefed on it.*
- **Question 2:** In your opinion, is the Code helpful for establishing working practices with your advisers on executive pay issues that ensure you receive independent and objective advice? *All respondents that indicated having read and/or been briefed on the Code agreed it serves helpful. The question did not apply for the respondents that had not read the Code.*
- **Question 3:** What have you found most helpful about the Code? (Tick all that apply) *The most popular response was reassurance from the fact that the advisor is a member of the RCG and adheres to the Code (16 responses). The second most popular response was that it provides the basis for a conversation with the adviser to agree work process and the approach to*

supporting the Remuneration Committee (12 responses). A number of respondents also indicated that they find the disclosures of other work being done for the company including the adviser's own methods of ensuring independence and objectivity (10 responses) and the annual meeting with the adviser (4 responses) to be helpful.

- **Question 4:** Are you comfortable and clear that your advisers are able to stand up to management on an issue as and when necessary? *All but two respondents indicated they were comfortable that advisers were able to stand up to management as and when necessary.*
- **Question 5:** Do your remuneration advisers participate in discussions relating to the business strategy of the company? *The majority of respondents (15) indicated that their advisers do not take part in discussions relating to business strategy. Two respondents indicated that advisers do consistently and two others noted that "they are briefed on strategy" or are involved in discussions "only when directly related to compensation."*
- **Question 6:** How could the Code be improved? What other comments have you on the Code? *Only three respondents indicated any further thoughts on the improvement of the Code. These respondents indicated that "clearer reporting lines concerning the Committee and the Executive and where the obligation/duty for the consultant lies" would be helpful. In addition, it was noted that the Code "should cover conflicts between an adviser's different clients and further clarity on how advisers should act on discussions with management." It was also indicated that the next review should "specifically consider the implications of the BIS review on remuneration disclosure." No other concerns were mentioned.*

Detailed analyses of the responses for all questions are provided in Appendix A.

Since the 2011 review, the RCG has taken efforts to inform Remuneration Committee Chairs and the wider remuneration committee environment (including shareholders and investors) on the existence and purpose of the Code. This survey and the interview process confirm that these efforts have led to a higher degree of knowledge of the existence of the Code but stakeholders are curious about how effectively the Code is working in practice. Those who are aware of the Code agree it is helpful in establishing working practices that ensure the provision of independent and objective advice on executive remuneration, specifically Remuneration Committee Chairs. It is inevitably difficult for those who are not part of the Consultant/client relationship to form a view on whether Consultants are meeting all of the standards set out in the Code.

### **A reminder of the main changes in 2011 and key points arising in 2013**

The changes made to the Code in 2011, together with thoughts from the 2013 review are provided below:

1. *2011 change: Provide greater clarity in relation to the Consultant's engagement and for whom advice is being provided together with regular monitoring of the roles and the performance of the consultant and of any potential conflicts of interest;*

The 2013 review indicated that clarity in relation to the Consultant's engagement, specifically relating to the question of independence between management and Remuneration Committee work has increased but remains a point that should be monitored. Further clarity on the management of potential conflicts between remuneration and non-remuneration advice is also desired.

2. *The role of the consultant in encouraging the client to consider the full implications of pay decisions and complex incentive design;*

The 2013 review confirms a desire for consultants to encourage clients to evaluate pay policy in the light of three considerations, a) linkage to performance and company strategy, b) length of performance measurement and eventual payment of reward and c) shareholders' views.

3. *How breaches of the Code will be dealt with;*

No specific concerns in relation to breaches were raised in the 2013 review, but one party raised the question of the policing of adherence to the Code. [Note: Remuneration Committee Chairs play a crucial role here.]

4. *How the effectiveness of the Code will be monitored and made public.*

The 2013 review indicated a continued desire for clarity of how the effectiveness of the Code is monitored and how adherence to the Code is made public – both by consultants and clients.

### **The main changes in 2013**

The consultation process has highlighted that, in addition to some small points of clarification, some important drafting changes should be made to the Code of Conduct – see attached. They are intended to ensure:

- Greater clarity on the procedures and processes to manage and minimise conflicts of interest where firms provide advice on remuneration in addition to other services and where they do not.
- Enhanced confidence that consultant advice is provided in a manner which encourages clients to consider pay in light of performance, business strategy and appropriate time horizons;
- Documentation of adherence to the Code and its principles (see Review of the Effectiveness of the Code – Section C for further detail).

Other key contributions included observations on the need to:

- Ensure Consultants emphasise the importance of succession planning;
- Provide sound and technical training and induction for new directors who join the Remuneration Committee;

- Ensure that the Consultant helps the Remuneration Committee to take investors' views into account;
- Ensure that advisers who are not remuneration specialists are sufficiently well informed and trained.

## C. The Review of the Effectiveness of the Code

---

### The objective

In 2011, as part of the review of the Code, the Board agreed to carry out an annual review of the effectiveness of its implementation. The evaluation process was based on self-assessment by the firms, and the Board agreed to summarise the findings of the evaluation process and make them public on the RCG website. An important aspect of this exercise has been that the Members share good ideas that will improve the effectiveness of the implementation of the Code, as well as sharing experiences on barriers to effective implementation and how these might be overcome.

### The process in 2013

There were two main components of the self-assessment process. The first was an anonymous survey of all employees engaged in executive pay consulting in the member firms. A similar survey was run in both 2012 and 2011. The 2013 survey attracted responses from 138 individuals (equivalent to a response rate of 60% of around 230 associates in all member firms combined), up from the 125 responses in 2012. The survey questions and the responses can be found in Appendix B).

The second component was a questionnaire filled in by Practice Leaders and senior teams of the 12 member firms, which attracted response from 11 of 12 member firms. The questions and responses can be found in Appendix B. The aim of this process was to discover and share examples of helpful practice which may be useful for all RCG members and to identify areas for improvement for better implementation of the Code.

The major themes that emerged from the review process are summarised below.

### The major themes

#### 1) The main themes from the anonymous survey of consultants at member firms.

The survey response rate has increased slightly this year. Appendix B provides detailed results and shows the percentage responses for this year's and last year's survey. The responses to questions were:

- **Question 2:** Prior to this survey, were you aware that a Code of Conduct governing the activities of remuneration consultancies existed? *The vast majority of respondents were aware and 7 (5%) were not.*
- **Question 3:** Have you read the Code of Conduct? *The vast majority (95%) had; only 5% of respondents had not.*
- **Question 4:** How much *formal* training (e.g. induction, webcasts, lunch and learns) have you had on the use of the Code? *Of the responses, the majority of respondents had "a little" formal*

training (60%). The percentage citing “a lot” of formal training has risen from 30% to 34%. The percentage citing no formal training (6%) is much lower than in the 2012 review (15%).

- **Question 5:** How much *informal* training (e.g. discussions with other consultants, references in work) have you had on the use of the Code? This question was new to the survey as the question of training has been split into formal and informal categories. *Of the responses, the majority of respondents had “a little” informal training (65%), 29% noted having “a lot” of informal training and the percentage citing no informal training is 6%.*
- **Question 6:** How often is the Code discussed in your work? *Where applicable, a slight majority said “frequently” (44%) with the remainder citing “infrequently” (42%) or “very rarely” (12%).*
- **Question 7:** Does your quality assurance (QA) process take the Code into account? *The majority noted the QA process took the Code into account “a lot” (57%). Just over a third of respondents noted it took account “a little” (39%) and only 4% cited not at all.*
- **Question 8:** To what degree do you think the Code has had a positive effect on practices in your firm? *Approximately a fifth of respondents (19%) said “significantly for the better”. Just over half (53%) said “for the better”, a slight rise over last year (49%). Only 8% had no view.*
- **Question 9:** In general, does your firm now have regular one-to-one meetings with client Remuneration Committee Chairman without management present? *Only one respondent said no. The vast majority (74%) said yes (annually or less so). Only 25% didn’t know.*
- **Question 10:** How knowledgeable are you on your client’s strategy and the impact that has on its remuneration framework? *The majority of respondents said they were “very comfortable” (46%), 35% said they were “comfortable” and only 4% said they were “uncomfortable”.*
- **Question 11:** How comfortable are you in challenging the views of management at Remuneration Committee meetings? *The total percentage of respondents who were either comfortable or very comfortable was 59%. The percentage that is very comfortable is 36% this year. Similar to last year, 36% said it was not applicable. Some (5%) said “it depends”.*
- **Question 12:** Where you interface with clients, are you always clear for whom you are doing the work and whether it is for the Remuneration Committee or for the client’s management? *A significant majority (82%) said yes, and 2% said they were not. However, the proportion of consultants that stated they do not interface with clients was 16%.*
- **Question 13** asked how respondents felt the Code could be improved. (20 responses)

*One respondent noted the Code could be more effectively monitored. One other suggested that there is a need to understand the Code’s practical application and how to measure its requirements. A few respondents noted the monitoring of conflicts of interest at firms which provide a range of services over and above remuneration advice could be monitored. One said that explicit restrictions could be placed on these firms, at least within the FTSE 350. Another noted that these firms should provide an annual breakdown of non-remuneration based advice provided. [Note: this is already a feature of the Code.] A recurring theme amongst the responses was the need to “educate” and engage the client on the details of the Code.*

Consultants were also invited to give additional written responses and 29 chose to do so.

- **Question 14** allowed respondents to leave any overall comments.

*One respondent noted that the Code may be an unnecessary addition above the codes of conduct already in place at many institutions and queried the cost of running the RCG.*

## **2) The main themes arising from the questionnaire sent to senior consultants of the member firms.**

A questionnaire was sent to the leaders and senior teams of the executive remuneration practices of the member firms and submission were received from each member firm. All questions asked for a written response to help the RCG better understand how the Code's provisions have been implemented by member firms and to gain insights into practices which might be helpful to other member firms. In addition, the RCG hoped to identify any barriers and problems practice leaders may have faced when implementing the Code.

### **i. Encouraging adherence to the Code**

See Appendix B. However, examples of good practice that emerged include:

- a. Reference to the Code in terms of engagement or letter of appointment;
- b. Aligning the precepts of the Code with pre-existing internal Codes; and
- c. Ensuring quality review processes take account of the Code.

### **ii. Approach to training**

Different approaches to training were described. The majority tend to make training and reading the Code of Conduct a formal part of induction.

A small but important minority are still slipping through the training net. The techniques used include:

- a. Formal or informal training at least annually;
- b. Group training sessions which train participants on the Code but also allows for discussions about case studies and potential challenging scenarios;
- c. Circulating the Code to employees upon induction and potentially making it mandatory for consultants to sign off receipt and understanding.

The member firms vary widely in their size and scale. The 2012 review encouraged all member firms to introduce formal training plans. Although these arrangements seem to have increased, full 'compliance' has not yet been achieved.

### **iii. Communicating the Code**

The various methods used by member firms to communicate the Code externally to clients include:

- a. Referring to the Code in proposals;
- b. Referring to the Code in standard terms;

- c. Sending copies of the Code to clients upon appointment;
- d. Referring to compliance with the Code and membership to the RCG on the company website.

At the request of the Board, the frequency of references in the Remuneration Reports of the FTSE 350 has been researched – based on the disclosures published in 2013 so far. Note that 55% of the FTSE 350, excluding investment trusts, cite the Code in their Directors' Remuneration Reports, up from approximately 15% last year. This represents a significant improvement. Note that the review of the Code in 2011 resulted in a number of changes and one of these (see paragraph 14) was expressly designed to address this point.

iv. **Contractual arrangements**

Typical practice here is to ensure that engagement letters prepared at the outset of an assignment clarify roles and responsibilities under the Code.

v. **Additional steps to ensure the Code is adhered to**

Steps taken by individual firms to ensure effective implementation of the Code which may prove useful for all member firms include:

- a. Clients are encouraged to make reference to the Code in their Directors' Remuneration Reports
- b. Discussions on sensitive issues or conflicts of interest with senior colleagues or the Chairman of the Remuneration Committee;
- c. Providing input from the risk team to executive compensation practitioners regarding any queries about the RCG, the Code and its implications on any advice given;
- d. A ban on principal advisers of a Remuneration Committee having a wider leadership or cross-selling role;
- e. A ban on contingent fees and/or agreeing on associated fees prior to commencing work;
- f. Specific discussions with all clients about the Code; and
- g. A Code checklist used by consultants when checking any work done for clients.

vi. **Barriers to implementation**

See Appendix B but a key theme here is that the Remuneration Committee and the adviser need to be equally active and willing to ensure that the Code is followed. Comments on the barriers included the following:

- a. A lack of interest from clients, either because they were happy with the level of professionalism from consultants prior to the Code or they were reluctant to let a 'rulebook' restrict their established practices;

- b. A lack of interest from consultants as they believe their personal and firm standards already comply with the standards of the Code. In cases where the Code differs from their own practices, it was thought that consultants would ignore the Code; and
- c. Shareholders are unaware of whether or not the Code has been followed (this has been echoed in the investor meetings this year – see Section A).

vii. **Useful techniques to support implementation**

Several points were highlighted – see Appendix B – including annual meetings with the Chairs of Remuneration Committees, QA checklists and annual training.

viii. **Demonstration that advice is independent and objective**

Several points were highlighted including:

- a. Discussion of the Code during the development of new client relationships;
- b. Circulation of reminders of the Code to both clients and consultants; and
- c. The encouragement of reference to the Code and/or the RCG in Directors' Remuneration Reports.

ix. **Changes in last two years to ensure adherence**

Several points were highlighted including:

- a. The Code has been incorporated into the internal code of conduct at several firms;
- b. The quality assurance and review process has been altered to take account of the principles of the Code;
- c. Training has been increased, including formal training at many organisations; and
- d. An increased effort to complete one-on-one meetings with the Remuneration Committee Chair has been undertaken.

x. **Other comments**

All but one firm had no additional comments. One firm noted that "Reports sometimes prepared by other RCG members do not appear to comply with the Code. Some guidance on what to do in those circumstances would be helpful." This is an important observation and it is recommended that where any individual or firm believes this to be the case the following procedure is invoked:

- Consultant speaks to common client and/or member firm concerned;
- Apparent error is corrected;
- Repeated breach is reported to the chairman of the RCG.

## **Recommendations from 2012 review and resulting actions**

The 2012 review specifically highlighted four points for the RCG Members and the Board to act on:

1. All Member firms should be asked to require their consultants in executive pay to read the Code as part of their induction and at least annually thereafter and seek training from their line managers;
2. Some form of mandatory training and/or guidance should be required on at least an annual basis and Members firms should (where applicable) make their line managers responsible for this;
3. Each Member firm should revise their approach to encouraging their clients to refer to the RCG in the Directors' Remuneration Report;
4. The Chairman of the RCG should write to the Chairs of the Remuneration Committees of the FTSE 350 (with a cc to Chairs of the Board and Company Secretaries) to encourage them to review the Board's approach to ensuring compliance with the Code and to refer to the RCG, and whether their remuneration advisers are members, in the Directors' Remuneration Report.

Based on the major themes out of the 2013 review, it is clear that more work still needs to be done in regards to points 1 and 2 above, and this may always be the case, although members have been shown to be increasingly aware of the Code and the majority have introduced formal training.

In response to point 3, the RCG has taken specific action in 2013 to address this. Members have been encouraged to contact clients directly regarding citation in Directors' Remuneration Reports. Many have indicated incorporating this into engagement letters and annual meetings with the Remuneration Committee Chair. Members have also been encouraged to publicise membership in the RCG and adherence to the principles of the Code on their company websites. The majority of member firms have completed this citation and only two firms are awaiting corporate approval to upload the citation. All member firms have indicated a willingness to include the membership citation.

On point 4, a letter was sent from the Remuneration Committee Chair to all FTSE 350 companies in December of last year encouraging them to cite use of, and compliance with, the Code. Research conducted in 2012 had revealed that only 22 of the 95 non-investment trust FTSE 100 companies referred to the Code and only 25 of the 200 non-investment trust FTSE mid-250 companies had included the citation. The research in 2013 indicates that 55% of the FTSE 350, excluding investment trusts, cite the Code in their Directors' Remuneration Reports. This represents a significant improvement from last year. This follows a change to the Code in 2011 (see paragraph 14) which was expressly designed to encourage this disclosure.

## **Recommendations for 2014**

The results of this year's review and actions from 2012's review highlight some points for the RCG Members to act on. The recommendations are as follows:

1. All Member firms should be asked to continue to ensure that the Code forms part of the induction and that employees are trained in the use of the Code at least annually thereafter and also seek advice from their line managers;
2. Some form of mandatory training and/or guidance should be required on at least an annual basis and Member firms should (where applicable) make their line managers responsible for this and hold individuals accountable for attendance at these sessions;
3. Member firms should be more proactive as and when they observe apparent breaches of the Code. An amendment to the Code has been proposed to support this.

# Appendix A

---

## 1) Summary of the main consultation survey

Total responses: 23

**Question 1:** Have you read the Code of Conduct and/or been briefed on it?

Answer	Number
Yes	19
No	4

**Question 2:** In your opinion, is the Code helpful for establishing working practices with your advisers on executive pay issues that ensure you receive independent and objective advice?

Answer	Number
Yes	18
No	0
N/A	1

If the Code is not helpful, please say why.

One respondent noted “conflicts between discussions with management and the RemCo; and papers remain difficult to understand without advisers present.” Another respondent noted “Difficult balance between code and desire for flexibility.”

**Question 3:** What have you found most helpful about the Code? (Tick all that apply)

Answer	Number
It provides the basis for a conversation with the adviser to agree work process and the approach to supporting the Remuneration Committee.	12
I take reassurance from the fact that our adviser is a member of the RCG and adheres to the Code.	16
The annual meeting with the adviser	4
The disclosures of other work being done for the company and on the adviser's own methods to ensure independence and objectivity.	10
Other (please describe)	0

**Question 4:** Are you comfortable and clear that your advisers are able to stand up to management on an issue as and when necessary?

Answer	Number
Yes	18
No	2

**Question 5:** Do your remuneration advisers participate in discussions relating to the business strategy of the company?

Answer	Number
Yes	2
No	15

Other	"They are briefed on strategy", "Only when directly related to compensation"
-------	--

**Question 6:** How could the Code be improved? What other comments have you on the Code?

Response A: "Clearer reporting lines concerning the Committee and the Executive and where the obligation/duty for the consultant lies."

Response B: "I wonder if the 2013 review should specifically consider the implications of the BIS review on remuneration disclosure."

Response C: "It should cover conflicts between an adviser's different clients and further clarity on how advisers should act on discussions with management."

## 2) Major stakeholders consulted

ABI	Andrew Ninian and Patrick Neave
Aviva investors	Anita Skipper
BIS	Nicole Roberts
Cable & Wireless (RemCo Chair)	Simon Ball
Church of England	Chris Anker and Edward Mason
DS Smith (RemCo Chair)	Chris Bunker
Fidelity Investment	Rebecca Vine
Freshfields	Simon Evans
FRC	Sarah Hogg
Hermes	Jennifer Walmsley
ISS/RREV	Daniel Jarman
Legal & General Investments	Angeli Benham and David Patt
M&G Investment Management Ltd	Huw Jones
NAPF	David Paterson and Will Pomroy
National Grid (RemCo Chair)	Jonathan Dawson
Premier Foods (RemCo Chair)	David Wild
Royal London Asset Management	Robert Talbut
Schroder Investment Management	Paul Emerton
Standard Life Investments	Guy Jubb
USS	Jeannette Andrews

## Appendix B

---

### 1) Effectiveness of the Code – Survey of Consultants

Total responses: 128 (125 in 2012 survey). Statistics shown in brackets represent the 2012 survey results. Where there are no 2012 statistics shown, the question is either modified from last year or new to the 2013 survey.

Question 1: How many years of executive pay consulting experience do you have?

Answer Options	Response Percentage	Response Count
a. 0-3 years	36.2% (32.8%)	50 (41)
b. 3-6 years	14.5% (22.4%)	20 (28)
c. 6-9 years	13.8% (12.8%)	19 (16)
d. 9+ years	35.5% (32.0%)	49 (40)
	<b>answered question</b>	<b>138</b>
	<b>skipped question</b>	<b>0</b>

Question 2: Prior to this survey, were you aware that a Code of Conduct governing the activities of remuneration consultancies existed?

Answer Options	Response Percentage	Response Count
a. Yes	94.9% (92.8%)	131 (116)
b. No	5.1% (7.2%)	7 (9)
	<b>answered question</b>	<b>138</b>
	<b>skipped question</b>	<b>0</b>

Question 3: Have you read the Code of Conduct?

Answer Options	Response Percentage	Response Count
a. Yes	94.9% (85.6%)	131 (107)
b. No	5.1% (15.2%)	7 (19)
	<b>answered question</b>	<b>138</b>
	<b>skipped question</b>	<b>0</b>

Question 4: How much *formal* training (e.g. induction, webcasts, lunch and learns) have you had on the use of the Code?

Answer Options	Response Percentage	Response Count
a. A lot	34.1% (30.4%)	47 (38)
b. A little	60.1% (56.8%)	83 (71)
c. None	5.8% (15.2%)	8 (19)
	<b>answered question</b>	<b>138</b>
	<b>skipped question</b>	<b>0</b>

Question 5: How much *informal* training (e.g. discussions with other consultants, references in work) have you had on the use of the Code?

Answer Options	Response Percentage	Response Count
a. A lot	29.0%	40
b. A little	65.2%	90
c. None	5.8%	8

**answered question** 138  
**skipped question** 0

Question 6: How often is the Code discussed in your work?

<b>Answer Options</b>	<b>Response Percentage</b>	<b>Response Count</b>
a. Frequently	44.2%	61
b. Infrequently	42.0%	58
c. Very rarely	12.3%	17
d. Never	0.7%	1
e. Not applicable	0.7%	1
<b>answered question</b>		<b>138</b>
<b>skipped question</b>		<b>0</b>

Question 7: Does your quality assurance (QA) process take the Code into account?

<b>Answer Options</b>	<b>Response Percentage</b>	<b>Response Count</b>
a. A lot	56.5%	78
b. A little	39.1%	54
c. None	4.3%	6
<b>answered question</b>		<b>138</b>
<b>skipped question</b>		<b>0</b>

Question 8: To what degree do you think the Code has had a positive effect on practices in your firm?

<b>Answer Options</b>	<b>Response Percentage</b>	<b>Response Count</b>
a. Significantly for the better	18.8% (1.7%)	26 (2)
b. A little for the better	52.9% (49.2%)	73 (59)
c. No change and improvements still needed	2.2% (4.2%)	3 (5)
d. No issues which needed to be addressed	18.1% (27.5%)	25 (33)
e. No view	8.0% (18.3%)	11 (22)
<b>answered question</b>		<b>138</b>
<b>skipped question</b>		<b>0</b>

Question 9: In general, does your firm now have regular one-to-one meetings with client Remuneration Committee chairmen without management present?

<b>Answer Options</b>	<b>Response Percentage</b>	<b>Response Count</b>
a. Yes - at least annually	66.4% (55.7%)	89 (68)
b. Yes - less often than annually	7.5% (9.8%)	10 (12)
c. No	0.7% (1.6%)	1 (2)
d. Don't know	25.4% (32.8%)	34 (40)
<b>answered question</b>		<b>134</b>
<b>skipped question</b>		<b>4</b>

Question 10: How knowledgeable are you on your client's strategy and the impact that has on its remuneration framework?

<b>Answer Options</b>	<b>Response Percentage</b>	<b>Response Count</b>
a. Very comfortable	46.0%	63
b. Comfortable	35.0%	48
c. Uncomfortable	3.6%	5
d. Not applicable	15.3%	21
<b>answered question</b>		<b>137</b>
<b>skipped question</b>		<b>1</b>

Question 11: How comfortable are you in challenging the views of management at Remuneration Committee meetings?

<b>Answer Options</b>	<b>Response Percentage</b>	<b>Response Count</b>
a. Very comfortable	36.2% (14.8%)	50 (18)
b. Comfortable	22.5% (40.2%)	31 (49)
c. Uncomfortable	0.7% (3.3%)	1 (4)
d. Not applicable	35.5% (36.1%)	49 (44)
e. It depends (please say more)	5.1% (6.6%)	7 (8)
	<b>answered question</b>	<b>138</b>
	<b>skipped question</b>	<b>0</b>

Question 12: Where you interface with clients, are you always clear for whom you are doing the work and whether it is for the Remuneration Committee or for the client's management?

<b>Answer Options</b>	<b>Response Percentage</b>	<b>Response Count</b>
a. Yes	81.5% (84.4%)	110 (103)
b. No	2.2% (5.7%)	3 (7)
c. Do not interface with clients	16.3% (9.8%)	22 (12)
	<b>answered question</b>	<b>135</b>
	<b>skipped question</b>	<b>3</b>

Question 13: How do you think the Code and its implementation could be improved?

<b>Answer Options</b>	<b>Response Count</b>
	20

Question 14: Do you have any other comments?

<b>Answer Options</b>	<b>Response Count</b>
	12

## 2) Effectiveness of the Code – Questionnaire for Senior Consultants

Question 1: List the actions that you take within your firm to ensure the effective adherence to and implementation of the Code of Conduct.

- The majority of companies have adopted formal training annually, while some others have implemented informal training.
- Quality review process considers the principles of the Code.
- Reference to the Code is included in the terms of engagement, letter on appointment
- RCG membership is referenced on the website of the majority of firms and included in the firm's business terms.
- No contingent fees are considered for new appointments.
- Annual meetings are conducted with Remuneration Committee Chairs.
- Internal discussions about issues relating to the Code are conducted.

Question 2: Describe the approach to training that you provide in your firm on the Code of Conduct.

- The majority of companies have adopted formal training annually, while some others have implemented informal training.
- Those with formal training indicated an annual training session which focuses on the requirements of Code, with discussions of its implications. The majority of these are required as part of initial training of new associates.
- Those with more informal training provide a copy of the Code to associates and discuss the code at team meetings, debating its implications.

Question 3: Explain the ways in which you communicate the Code of Conduct within your firm, externally, to clients and to employees.

- Most firms communicate the Code to clients using one or more of the following methods:
  - Referring to the Code in proposals.
  - Including references to the Code in standard terms and sending copies of the Code to clients.
  - Simply informing clients that they are signatories and members of the RCG, usually on the company website.
  - Asking clients to refer to the Code in their directors' remuneration report.
- Internally, firms use both informal and formal training sessions to communicate the Code. The majority of firms have made reading and understanding the Code mandatory for all practitioners.

Question 4: What contractual arrangements (if any) and processes on engagement have you established to ensure that the tenets of the Code of Conduct are embedded from the outset of an appointment with a client to advise on executive remuneration.

- One firm sends a letter to the Remuneration Committee Chairman which outlines membership to the RCG and any obligations the firm has as a result of the Code within any appointment agreement.
- Cross-reference is made to the Code in terms of business.
- Posting a description of RCG membership on the firm's website.
- Engagement letters and terms and conditions include reference to the principles of the Code and pre-establish who we are working for (i.e. management or the Remuneration Committee).

Question 5: What other steps do you take in your firm to ensure that the Code is adhered to?

- Clients are encouraged to make reference to the Code in their Directors' Remuneration Reports.
- Conflicts of interest are carefully managed and appointments are only taken where these prove no issue.
- The senior team is mindful of the Code and instil its principles in the normal course of business.

Question 6: What barriers are there to the effective implementation of the Code?

- Lack of time and engagement from clients on the topic.
- Remuneration Committee Chairs can be disinterested in Code details, when they believe it inhibits efficient, robust advice.
- Certain levels of professional standards taken for granted.

Question 7: What practices in your firm to ensure the effectiveness of the Code have been most useful?

- Regular annual training on the Code.
- The requirement for annual individual meetings between the consultant and the Remuneration Committee Chair.
- The clarity of membership in the RCG and principles of the Code in terms of engagement and scopes of work.
- A quality review of all documents conducted in line with the Code's principles.

Question 8: How are you using the Code to help Remuneration Committees demonstrate that the advice they are receiving is independent and objective?

- The Code is discussed during the development of new client relationships and regular reminders are circulated to both clients and consultants.
- By encouraging reference to the Code in the Directors' Remuneration Report.

Question 9: What changes have you made in the last two years to ensure adherence to the Code?

- The Code has been incorporated into the internal code of conduct.
- The peer review process has been altered to take into account the principles of the Code.
- Training has been increased
- Report checklists have been introduced but the focus has been on embedding good practice and on reinforcing repetition and training.
- An increased effort to schedule one-on-one meetings with the Remuneration Committee Chair.

Question 10: Please highlight any other comments

- All but one firm had no additional comments.
- One firm noted that "Reports sometimes prepared by other RCG members that do not appear to comply with the Code. Some guidance on what to do in those circumstances would be helpful."

## Appendix C

---

### VOLUNTARY CODE OF CONDUCT IN RELATION TO EXECUTIVE REMUNERATION CONSULTING IN THE UNITED KINGDOM

(December 2013)

#### Preamble

Executive remuneration consultants are business advisors who provide a valuable service to companies, and in particular remuneration committees, by providing information, analysis and advice on the structure and levels of remuneration for senior executives. In providing this service, the role of consultants is to assist decision makers within the governance structure of the company to make the most informed and appropriate decisions possible having due regard to the organisation's strategy, financial situation, and pay philosophy; the Board's statutory duties; and the views of institutional investors and other stakeholders.

The Code of Conduct (the Code) is the document agreed by the members of the Remuneration Consultants Group Limited (RCG) which was formed in 2009 and represents the overwhelming majority of executive remuneration consultancy firms advising UK listed companies.

This Code clarifies the scope and conduct of the executive remuneration consultants' role, while recognising that all substantive executive remuneration decisions are made by the appropriate governance bodies in the company, primarily Remuneration Committees and their Chairs.

#### Background, Purpose and Scope

This Code of Conduct sets out the role of executive remuneration consultants, the manner in which they conduct business and the standards of behaviour expected of them.

It is concerned primarily with the way in which remuneration consultants ("Consultants"), whether they be firms or individual practitioners, provide advice to UK listed companies on executive remuneration matters. For the purpose of this Code, these are matters which are recommended by the UK Corporate Governance Code to fall within the terms of reference of a company's Remuneration Committee. By definition, they include all elements of executive directors' remuneration.

It is recognised that in the area of executive remuneration there is the potential for real or perceived conflicts of interest in that:

- executive directors may have personal interests which the Remuneration Committee may consider out of line with the broader interests of shareholders or the company as a whole;

- where advice is provided by Consultants to both the Remuneration Committee and management – whether in the area of executive remuneration or in other areas – it might be considered as being compromised (by the Consultant’s own commercial interests or the potentially different interests or perspectives of those to whom the Consultant is providing advice).

This Code sets out ways in which these potential and/or perceived conflicts of interest may be minimised and thereby fosters shareholder and Remuneration Committee confidence in the integrity and objectivity of Consultants.

In this connection it is important to clarify the role that executive remuneration consultants fulfil. Their role is to provide advice and information which they believe to be appropriate and in the best interests of the company. Their input should take fully into account the UK Corporate Governance Code principle that pay should be sufficient, without being excessive, to attract, retain and motivate executives of the right calibre.

The purpose of their input is to support robust and informed decision making by the company on remuneration matters. This is the case regardless of whether these are decisions of the Remuneration Committee or executive directors. Under the UK’s unitary board structure, both share a common duty to promote the success of the company.

As far as the scope of this Code is concerned:

- it should be recognised that executive remuneration advice is almost always provided to companies and that client companies will have their own governance codes and processes to assess quality and minimise conflicts;
- this is a voluntary code of conduct and statement of good practice and all Consultants are expected to build it into their terms of business with clients;

The Code was first published in 2009, last reviewed and revised in 2013 and will be reviewed biennially thereafter.

As with the UK Corporate Governance Code, the principles and processes set out in this Code are intended to apply to work carried out for UK premium listed companies and, particularly, the FTSE 350. It is recognised that other organisations (for example AIM companies) may have different governance structures which means that not every aspect of this Code may be relevant. However, it is expected that the same values will be applicable when work is conducted for other organisations which are either not fully listed or do not have a primary listing in the UK.

The authors of this Code recognise that other professional advisors may give advice to Remuneration Committees from time to time (such as solicitors, executive search consultants and actuaries). The Code is not primarily concerned with firms acting in that capacity. This consideration should equally apply to Consultants advising on executive remuneration but not formally appointed by the Remuneration Committee.

## **Fundamental Principles**

Executive remuneration consultants, like other business professionals, should comply with the fundamental principles of transparency, integrity, objectivity, competence, due care and confidentiality. They should also ensure that, whether or not part of a larger consulting group providing a wider range of services, their internal governance structures promote the provision of objective and independent advice. This Code is designed to be complementary to such governance structures and any other codes relating to the professional bodies of which Consultants may be members. Consultants should also offer to brief the Remuneration Committee Chair on the operation of the agreed processes and protocols to minimise or eliminate conflicts of interest.

Where a Remuneration Committee, company or member firm believes that a Consultant has systematically or materially breached the Code, they should report this to the member firm concerned. If the Remuneration Committee or company is dissatisfied with the response, the Chairman of the RCG will be available for consultation. In accordance with the RCG's Articles of Association, membership of the RCG terminates where a member or one or more of its remuneration consultants has failed to meet the standards of behaviour which, in the opinion of the Board it is reasonable to expect.

The rest of this Code expands upon these fundamental principles and contains in the Appendix good practice guidelines on the ways in which these principles should apply.

## **Transparency**

The role of Consultants is not to make decisions for their clients but to assist them in making fully informed decisions. To that end, all substantive advice should be clear and transparent with relevant and appropriate data presented objectively.

Where the Consultant is formally appointed to advise the Remuneration Committee, there should be a clear commitment for the Consultant to make available to the Chair of that Committee an agreed set of disclosures at the outset of the engagement and then annually thereafter. This will include information on the scope and cost of work provided by the Consultant's firm to the company in addition to work provided to the Remuneration Committee. It will also include information on the internal protocols to remove any potential conflicts of interest.

## **Integrity**

Consultants should be straightforward and honest in all professional and business relationships. This implies a duty to deal with matters fairly and openly.

## **Management of Conflicts to Ensure Objectivity**

Consultants should not allow conflict of interest or influence of others to override professional or business judgements and must ensure that they provide the best and most appropriate advice to the client as possible. A key to managing such conflicts is to ensure clarity in identifying to whom within the client the Consultant is providing advice, establishing the role expected of the Consultant and agreeing the processes and protocols to be followed.

When the Consultant is appointed as a principal advisor to the Remuneration Committee, it is important to agree with the Chair of the Remuneration Committee and record, at the outset of the engagement, supporting protocols in order to safeguard objectivity. These are likely to cover information provision and the basis for contact with executive management at the client company ("Client"). The Consultant should also be mindful of the potential conflict arising from other client relationships and draw these to the attention of the Remuneration Committee Chair as appropriate.

In addition, to manage potential conflicts of interest effectively:

- Consultants will not accept fees contingent on the introduction of new remuneration arrangements or the remuneration package (s) agreed for executives
- Consultants will not adopt the role of their firm's client relationship manager for the provision of non-related services on accounts where they are the principal executive remuneration consultant.

These protocols should be reviewed annually to ensure that any perceived or real conflicts of interest are dealt with. The consultant and the Chair of the Remuneration Committee should also discuss whether and how the procedures and protocols in place should be described in the Directors' Remuneration Report.

## **Competence and Due Care**

The principle of competence and due care means that clients are entitled to have confidence in a Consultant's work and imposes an obligation on Consultants to maintain their knowledge at an appropriate level and carry out their work in a careful, thorough and timely manner.

To ensure that all individual consultants within a firm comply with the Code, each firm:

- should have a general code of business conduct which is provided to employees advising in this area;
- should provide training and professional development for all consultants which ensures that they are competent to consult within the framework of this Code.

## **Confidentiality**

Consultants should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose.

## **Monitoring the effectiveness of the Code**

Each year the RCG will carry out a formal review of the effectiveness of the Code. This will be presented and discussed at the RCG's AGM and a summary of the findings will be published on the RCG's website. In carrying out the annual review the RCG will undertake a confidential survey of the individual consultants in the member firms and assess any comments and complaints that have been brought to its attention during the year.

## **Good Practice Guidelines**

***These guidelines are provided to illustrate how the Code principles may be followed.***

### **General**

1. Consultants should encourage Clients to ensure that pay is properly linked to the long-term performance of the business. Consultants should also encourage Clients to consider the full implications of their decisions. This should include but not be limited to helping Clients reach a rounded and balanced view and to be sensitive to the potentially inflationary impact of market data.
2. Consultants should encourage Clients to consider fully the implications of complex design both on the motivation of executives and on the transparency of arrangements to shareholders and other stakeholders.
3. Where appropriate, Consultants should seek to help Remuneration Committees to take into account talent and succession planning when making decisions on pay.
4. Consultants should make the Remuneration Committee aware of the likely views of shareholders on the Client's executive remuneration with a specific emphasis on major shareholders where appropriate.

### **Transparency**

5. Reports prepared by Consultants should explain the context in which advice is provided and, when advising on potentially significant changes in policy, they should comment on how any proposals compare with best practice and published guidance.
6. Selection of an appropriate comparator group for benchmarking purposes requires careful judgment. Any report should be clear on the types of companies comprised within the comparator group(s) used and the rationale for their selection and summarise the methodology used to value different elements of the remuneration package.
7. Reports and other written documents should identify the sources of information used. It should be made clear where the Consultant is relying on information provided by management or from other consulting firms. Where the Consultant contributes to a joint report with management, it should be clear in the report what is the Consultant's opinion and what is management's opinion.
8. Recognising that internal advice or other Consultants' (e.g. advisors to management) advice may be presented by others to the Remuneration Committee and relied on by it, Consultants should be particularly careful to ensure that their written advice is capable of being read and understood by the Remuneration Committee without the advisor present.

9. All appointments should be governed by an engagement letter between the Consultant and the Client and should make clear to whom within the Client the Consultant is providing advice, i.e., whether to the Remuneration Committee, CEO or the executive management of the company or otherwise.
10. There should be a clear understanding of the role the Consultant is expected to play when appointed to advise the Remuneration Committee and, specifically, whether the role is to be a principal advisor to the Remuneration Committee on a range of remuneration-related issues (as opposed to providing data or advice on an ad hoc basis or just on specific topics).
11. In order to be aware of and mitigate any potential conflicts of interest, when the Consultant is appointed as principal advisor to the Remuneration Committee, the Committee Chair should agree with the Consultant a set of disclosures at the outset of the engagement and annually thereafter. The precise nature and frequency of the information to be provided should be agreed by the Consultant with the Chair of the Remuneration Committee. Information should be available on:
  - the areas on which the Consultant is engaged to advise the Remuneration Committee and any areas where it has been agreed that the Consultant should not provide advice;
  - the scope and cost of work provided by the Consultant's firm to the company, or senior executives of the company, in addition to work performed directly for the Remuneration Committee. The Consultant should normally report on an annual basis the approximate split of the value of the work done for the Remuneration Committee and for executive management to the Remuneration Committee;
  - The Remuneration Committee should have oversight of all the work that the Consultant carries out for the Company;
  - the safeguards in place to ensure that information provided by the client company are kept confidential and separate both from information of other clients and from other departments within the Consultant's wider firm;
  - the Consultant's code regarding ownership of, and dealing in, the shares of client companies;
  - the way in which the personal remuneration of the principal Consultants engaged in advising on executive remuneration issues is affected, if at all, by the cross-selling of non-related services;
  - the process for maintaining quality assurance, ensuring that work covered by this Code is kept independent of any other services provided by the Consultant's firm and for dealing with complaints;
12. Consultants should encourage their Clients to include in their Directors' Remuneration Report a statement of whether they are using Consultants who are members of the RCG.

## **Integrity**

13. When they are appointed as principal advisors to the Remuneration Committee, Consultants should alert the Chair of the Remuneration Committee when they become aware that their advice is being presented in the context of reports, communications or other information where they believe that the information is false or misleading or omits or obscures required information where such omission or obscurity could be misleading.
14. In relation to shareholders' engagement, the Remuneration Committee is responsible for explaining the Company's pay arrangements to shareholders. Where Consultants are involved in this process, their primary responsibility should be to support in the communication process, to set out the Remuneration Committee's proposals to shareholders and to represent fully to the Remuneration Committee all the views expressed to the Consultant in their capacity as agent for the Committee.
15. Consultants should only market their services to both current and prospective clients in a responsible way. Bespoke pay benchmarking reports require Remuneration Committee input into the selection of comparator groups and should not be sent to clients or non-clients on an unsolicited basis.

## **Objectivity**

16. When the Consultant is appointed as principal Remuneration Committee advisor, there are a number of protocols and processes which should be established from the outset to ensure that the Consultant is able to provide best advice in a manner which meets the Remuneration Committee's requirements. These include:
  - agreeing a process to ensure that the Consultant has sufficient information to provide advice in context (which may be achieved by providing for the Consultant to receive copies of all or most Remuneration Committee papers and minutes, not just those relating to matters upon which he or she is specifically being asked for advice);
  - an agreement that the Consultant meets at least annually with the Remuneration Committee Chair in order to review remuneration issues and any implications of business strategy development and market change;
  - clarity on the extent to which the Consultant should have access to and/ or provide advice to management;
  - confirmation of the process by which any information and recommendations relating to the Chief Executive Officer and other executives are to be communicated to the Remuneration Committee and the manner and extent to which such information and recommendations should also be communicated to executive management;

- agreement on the flow of papers and, in particular, whether draft papers may be sent to management to check facts and understanding of context prior to being sent to the Remuneration Committee Chair;
- agreement of an annual review of the Consultant's performance and of roles and responsibilities. This should be led by the Chair of the Remuneration Committee but may be initiated by the Consultant. The review of performance should also include an assessment of the extent to which there is a potential conflict of interest which may be perceived to affect the independence and objectivity of the advice provided, where, for example, the Consultant's firm provides other services to the Company or the work provided by the Consultant accounts for a significant proportion of the firm's total revenue.

### **Competence and Due Care**

17. The right for Clients to have confidence in a Consultant's work means that if work which a Consultant considers necessary is precluded by cost or time constraints, then they must either decline to act or qualify the advice.
18. Where a Consultant is aware of any limitations in their advice, they should make their Client aware of such limitation.