

Consultation on the Code of Conduct **Remuneration Consultants Group**

June 2011

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1. Introduction

Background

- 1.1. The Remuneration Consultants Group ("RCG") was formed in 2009 and represents the overwhelming majority of executive remuneration consultancy firms advising UK listed companies.
- 1.2. The aim of the RCG is the development and stewardship of a voluntary Code of Conduct (the "Code") that clearly sets out the role of executive remuneration consultants and the professional standards by which they advise their clients – their clients being, for the most part, Remuneration Committees.
- 1.3. The need for the executive remuneration consultancy industry to form a professional body with oversight of a code of conduct was voiced by Sir David Walker early in his review of the corporate governance of banks and other financial institutions. The establishment and role of the RCG was recognised and welcomed by Sir David in his final recommendations¹, where he stated that: *"...Remuneration consultants should put in place a formal constitution for the professional group that has now been formed, with provision: for independent oversight and review of the remuneration consultants' code"*.
- 1.4. The inaugural RCG Code was included as an annex to the final recommendations of the Walker Review in November 2009 and, as recommended, the RCG shortly afterwards put in place a formal constitution. Provision for independent oversight and review of the Code has been achieved through a commitment to employing an independent Chairman and two further independent members. All three independent RCG members are now in situ.

Purpose of review

- 1.5. On publication of the inaugural Code in November 2009, the RCG committed to its review during 2011 and once every two years thereafter. As part of this commitment, this Consultation Paper (CP) formally invites comments intended to inform decisions on whether the code (i) is achieving its aims, (ii) remains fit for purpose in its present form and (iii) can be improved to help better achieve its aims.

Structure of this consultation paper

- 1.6. The CP is structured as follows:
 - Chapter 2 provides some further information about the RCG and its activities.
 - Chapter 3 sets out the purpose of the Code and the fundamental principles underlying it.
 - Chapter 4 invites views on the Code structured under the five fundamental principles underlying the Code: transparency, integrity, objectivity, competence and due care and confidentiality.
 - Chapter 5 sets out the next steps in the consultation and review process.

Review timetable

- 1.7. The timetable for reviewing the Code is as follows:
 - 15 June 2011: Consultation Paper published
 - 31 August 2011: consultation period closes
 - 21 November 2011: new Code adopted and published

¹ http://webarchive.nationalarchives.gov.uk/http://www.hm-treasury.gov.uk/d/walker_review_261109.pdf

Who should read this paper?

- 1.8. This CP should be read in particular by the chair and members of Remuneration Committees of companies in the UK, institutional shareholders and other stakeholders of companies in the UK. This CP may also be of interest to trade associations, corporate governance experts and individuals with an interest in corporate governance issues.

How to comment

The RCG invites comments on this CP to be received by 31 August 2011. This CP is available from our website (www.remunerationconsultantsgroup.com). Responses should be sent by email to enquiries@remunerationconsultantsgroup.com.

or in writing to:

The Secretary
Remuneration Consultants Group
c/o Camerons Solicitors LLP
70 Wimpole Street
London W1G 8AX

The RCG is not proposing to make individual submissions publicly available and all responses should be considered confidential.

2. About Us

- 2.1. The RCG is a professional body of remuneration consultancies set up in 2009.
- 2.2. Membership of the RCG is open to any consulting firm, or individual acting as a sole trader, named in the (or able to demonstrate that it will be named in the next published) Directors' Remuneration Report as advising the Remuneration Committee of at least one FTSE 350 company.
- 2.3. The following consultancies form the RCG's current list of supporters: Aon Hewitt Limited (trading as Hewitt New Bridge Street), Deloitte, Hay Group Limited, Kepler Associates, Mercer Limited, MM&K Limited, Patterson Associates, PwC LLP, Strategic Remuneration and Towers Watson.
- 2.4. The RCG is responsible for establishing a Board comprising an Independent Chairman, two Independent Members and up to four elected representatives of member firms to oversee and support the work of the Group. The membership of the Board is currently as follows:

Chairman:

Dr Martin Read

Dr Martin Read is a non-executive director of Invensys plc, where he chairs the Remuneration Committee, Aegis Group plc, Lloyds of London and the Cabinet Office Efficiency and Reform Board. He was Chief Executive of Logica from 1993 to 2007 and has served as a non-executive director on the boards of Asda Group plc, Boots Group plc, Siemens Holdings and British Airways plc.

Independent Members:

William Claxton-Smith

William Claxton-Smith was a UK Equity Portfolio Manager for Insight's Equity High Income Fund and Joint Head of UK Equities for Insight before becoming Head of Corporate Governance at Insight Investment (formerly Clerical Medical) in 2004. He was a member of the ABI's Investment Committee until 2009, the CBI Companies Committee and the Listing Authority Advisory Committee of the FSA until 2010.

Philippa Hird

Philippa Hird's career began in marketing at ICI, followed by commercial television with general management roles at Granada plc. She was Group HR Director at ITV plc from 2003 to 2008. She is now a non-executive director at HMRC where she is a member of the Ethics & Responsibilities and People Committees. She has been Vice President of the CIPD.

Elected member firm representatives for 2011:

Gordon Clark (Kepler Associates), John Lee (Hewitt New Bridge Street) and Mark Reid (Towers Watson)

3. Purpose of the Code

- 3.1. The Code seeks to clarify the conduct of executive remuneration consultants ("Consultants"), the manner in which they conduct business and the standards of behaviour expected of them, while recognising that all substantive executive remuneration decisions are made by the appropriate governance bodies in their clients.
- 3.2. The Code is primarily concerned with the way in which Consultants provide advice to UK listed companies. For the purpose of the Code, this is on matters which are recommended by the FRC's UK Corporate Governance Code² (formerly the Combined Code) to fall within the remit of a company's Remuneration Committee.
- 3.3. As with the UK Corporate Governance Code, the principles and processes set out in the Code are intended to apply to work carried out for UK fully listed companies and, in particular, FTSE 350 companies. It is recognised that other organisations outside of the FTSE 350 may have different governance structures which means that not every aspect of the Code may be relevant. However, it is the intention that the same values will remain applicable when work is conducted for other organisations which are either not fully listed or do not have a primary listing in the UK.
- 3.4. Consultants advise clients. They do not make substantive decisions on remuneration. The Code recognises the necessary contribution to the area of executive remuneration played by advisors, sets out the standards of the information that Consultants should provide their clients and forms the basis for contractual terms.
- 3.5. It is recognised that, in the area of executive remuneration, there is the potential for real or perceived conflicts of interest, for example, where advice is provided by Consultants to both the Remuneration Committee and to management, 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). The Code aims to minimise conflicts of interest and thereby to foster shareholder and Remuneration Committee confidence in the integrity of the Consultants.
- 3.6. The role of a Consultant, as advisor to a Remuneration Committee, is to assist the Committee in reaching as well informed a decision as possible through the provision of data, explaining common practice and regulatory and governance requirements and general commercial advice. While the influence of a Consultant may, on occasion, be significant, their role is not to displace the fiduciary responsibilities of the directors and their role is no different to any other advisor which provides counsel to the Board.
- 3.7. To date some commentators have not fully understood the distinction between the role of Consultants and the Remuneration Committees which they advise. It is the responsibility of the Committee alone to set the remuneration policy for their companies. Increasingly, Committees find it helpful to set out their policy in a single document as a useful internal guide. It is then the Committee's role to make specific pay decisions in light of that policy.
- 3.8. As Remuneration Committees may choose to use advisors in a variety of ways (or even use multiple advisors) not every aspect of the Code may be relevant to every engagement. The Code provides a clear framework for all client relationships so that Remuneration Committees retain responsibility for appointing their own advisors and have processes in place for receiving impartial advice on those subject areas upon which they choose to seek advice and ultimately make decisions. It also sets out the professional standards by which members must behave.

² <http://www.frc.org.uk/corporate/ukcgcode.cfm>

Fundamental principles

- 3.9. The Code acknowledges that executive remuneration consultants, comparable with other business professionals, should comply with the fundamental principles of transparency, integrity, objectivity, competence and due care and confidentiality. Further, it acknowledges that they should also ensure that, whether or not they are part of a larger consulting group providing a wider range of services, their internal governance structures promote the provision of objective and independent advice. The 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.

4. Questions for consultation

- 4.1. This chapter invites general feedback on the functioning of the Code to date as well as feedback aligned to each of the five fundamental principles (transparency, integrity, objectivity, competence and due care and confidentiality) which forms the backbone of the Code.
- 4.2. When reading the following questions you may wish to refer to the full-text of the current Code and the good practice guidelines which accompany it at the Annex.
- 4.3. For each of the multiple choice questions please mark 'x' under the choice which best represents your answer.

Q1: In what capacity are you responding? Please mark all categories that apply to you.

Remuneration Chairman	Committee	Remuneration member	Committee	Shareholder or shareholder representative
Executive Director		Consultant		Other (please specify below)

Other:

Q2: What type of organisation do you represent? Please mark all categories that apply to you.

FTSE 100 company	FTSE 250 company	FTSE SmallCap company	Other listed company	Unlisted company
Public/not-for-profit organisation	Mutual	Institutional investor	Small shareholder	Other (please specify below)

Other:

General feedback

Q3: To what extent do you agree with the following statement? "There were problems in the way Consultants operated prior to the introduction of the Code."

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No view

Q4: To what extent do you agree with the following statement? "The Code has played a useful role in improving the way Consultants operate."

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No view

If you agree that the Code has played a useful role in improving the way Consultants operate please provide any comments on how you think it has done so below.

Q5: Are there any changes to the Code which you consider would improve its effectiveness? If so, please state below.

Q6: Are there any *other* steps which the RCG should consider to increase confidence in the profession? If so, please state below.

Q7: How do you think that the RCG can better monitor the professional

standards of its members?

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Q8: The Code was originally drafted to manage relationships between FTSE 350 companies and their remuneration advisors. To what extent do you agree with the following statement? "Changes are necessary to adapt the Code for other organisations."

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No view

If you agree that the Code needs to be adapted for other organisations please provide any comments on how you think it should be adapted below.

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Transparency

4.4. The Code currently states the following:

"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."

Q9(a): Prior to the introduction of the Code, did you have any concerns about the clarity and transparency of the advice provided by Consultants?

Yes	A little	Not really	Not at all	No view

Q9(b): Has the Code had a positive impact on the clarity and transparency of advice provided by Consultants?

Yes	A little	Not really	Not at all	No view

Q9(c): Do you have any continuing concerns about the issue of clarity and transparency of advice provided by Consultants? If so, please describe below.

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Q10(a): Prior to the introduction of the Code, did you have any concerns about the clarity and transparency of the commercial arrangements under which Consultants are retained?

Yes	A little	Not really	Not at all	No view

Q10(b): Has the Code had a positive impact on the clarity and transparency of the commercial arrangements under which Consultants are retained?

Yes	A little	Not really	Not at all	No view

Q10(c): Do you have any continuing concerns about the issue of clarity and transparency of the commercial arrangements under which Consultants are retained? If so, please describe below.

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Integrity

4.5. The Code currently states the following:

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

Q11(a): Prior to the introduction of the Code, did you have any concerns about the integrity of advice provided by Consultants?

Yes	A little	Not really	Not at all	No view

Q11(b): Has the Code had a positive impact on the integrity of the advice provided by Consultants?

Yes	A little	Not really	Not at all	No view

Q11(c): Do you have any continuing concerns about the integrity of the advice provided by Consultants? If so, please describe below.

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Objectivity

4.6. The Code currently states the following:

"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 the client, 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."

Q12(a): Prior to the introduction of the Code, did you have any concerns about the management of potential conflicts of interest and objectivity?

Yes	A little	Not really	Not at all	No view

Q12(b): Has the Code had a positive impact in the management of potential conflicts of interest and in ensuring objectivity?

Yes	A little	Not really	Not at all	No view

Q12(c): Do you have any continuing concerns about the management of potential conflicts of interest to ensure objectivity? If so, please describe below.

Q13(a): To what extent do you agree with the following statement? "The Remuneration Consultancy firm advising the Remuneration Committee should be permitted to undertake other remuneration work, with the consent of the Remuneration Committee, for that client organisation."

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No view

Q13(b): To what extent do you agree with the following statement? "The firm advising the Remuneration Committee should be permitted to undertake other non-remuneration work, with the consent of the Remuneration Committee, for that client organisation."

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No view

Competence and due care

4.7. The Code currently states the following:

"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."

Q14(a): Prior to the introduction of the Code, did you have any concerns about the diligence with which Consultants undertook their work?

Yes	A little	Not really	Not at all	No view

Q14(b): Has the Code had a positive impact on the diligence with which Consultants undertake their work?

Yes	A little	Not really	Not at all	No view

Q14(c): Do you have any continuing concerns about the diligence with which Consultants undertake their work? If so, please describe below.

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Confidentiality

4.8. The Code currently states the following:

"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."

Q15(a): Prior to the introduction of the Code, did you have any concerns about Consultants' ability to maintain the confidentiality of clients' information?

Yes	A little	Not really	Not at all	No view

Q15(b): Has the Code had a positive impact on Consultants' ability to maintain the confidentiality of clients' information?

Yes	A little	Not really	Not at all	No view

Q15(c): Do you have any continuing concerns about Consultants' ability to maintain the confidentiality of clients' information? If so, please describe below.

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Further feedback

Q16(a): Do you refer to your Remuneration Consultants being required to comply with the terms of the Code in the terms of engagement of Consultants?

Yes	No	Not applicable

Q16(b): Do you refer to your Remuneration Consultants being required to comply with the terms of the Code in the Directors' Remuneration Report?

Yes	No	Not applicable

Q17: Do you have any further comments in relation to the Code? If so, please state below.

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Contact

Please provide your contact details below. Please note that we will still consider submissions if you leave the following blank.

Name:	
Position:	
Address:	
Telephone:	
Email:	

Do you consent to be contacted if we have any questions on your submission?

Yes	No

5. Next steps

- 5.1. Comments on the questions set out in this CP are requested by 31 August 2011. In addition, any further comments relevant to the consultation and the activities of the RCG will be gratefully received.
- 5.2. The Committee will consider a response to all comments received during the consultation period between September 2011 and November 2011.
- 5.3. The Committee will propose changes to the Code at the AGM on 16 November 2011. Subject to its approval it will be published forthwith and made available on the RCG's website.

Annex - Current Code of Conduct

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

Preamble

Executive remuneration consultants are business advisors who provide a valuable service to companies, and in particular remuneration committee, by providing information, analysis and advice regarding the structure and quantum of remuneration packages 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.

This Code seeks to clarify 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.

Background, Purpose & Scope

This Code of Conduct seeks to make clear 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 (whether they be firms or individual practitioners) ("Consultants") 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 Combined Code to fall within the terms of reference of a company's Remuneration Committee. By definition, they include all elements of 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 this is solely 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).

The aim of this Code is to recommend ways in which these potential conflicts of interest may be minimised and thereby to foster 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 Combined 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 (as opposed to individuals seeking advice on their own account) 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 good practice to which it is hoped that all Consultants will build into their terms of business with clients;
- this Code will be reviewed in 2010 and periodically thereafter.

As with the Combined Code, the principles and processes set out in this Code are intended to apply to work carried out for UK fully listed companies and, particularly, the FTSE 350. It is recognised that other organisations 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 (which will be governed by other professional

codes) although they should also consider whether some or all of the contents of this Code may be relevant to their dealings with clients.

Fundamental Principles

Executive remuneration consultants, comparable with 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.

The balance 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.

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 the client, 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. In addition, to manage potential conflicts of interest effectively:

- Consultants should not accept fees contingent on the introduction of new remuneration arrangements or the remuneration package (s) agreed for executives
- Consultants should 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.

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.

Appendix

Good Practice Guidelines

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

Transparency

1. 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.
2. Selection of an appropriate comparator group for benchmarking purposes should involve 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 package.
3. 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.
4. 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.
5. All appointments should be governed by an engagement letter between the Consultant and the client company ("Client") making it clear whether the Consultant's primary reporting relationship is to the Remuneration Committee, the HR Director or otherwise.
6. 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 simply providing data or advice on an ad hoc basis or just on specific topics).
7. 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 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 clients 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.

Integrity

8. 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.
9. When dealing with institutional investors on behalf of a company, Remuneration Consultants should act as facilitators of the communication process. Their primary responsibility is to set out and explain the Remuneration Committee's proposals to shareholders and then to represent fully to the Remuneration Committee all the views expressed to the Consultant in their capacity as agent for the Committee.
10. 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

11. 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.

Competence and Due Care

12. 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.

13. Where a Consultant is aware of any limitations in their advice, they should make their Client aware of such limitation.