

Remuneration Consultants Group

The Triennial review of the Code of Conduct and the Annual Review of its Effectiveness and Implementation

December 2020

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Dear all

Since its formation in 2009, the aim 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 sees this as an essential part of its remit and crucial for the success of the Code.

The review of the Code during 2020 was the fifth since the Code’s inception. The process followed the approach adopted in 2017 and included a consultation with Remuneration Committee Chairs, institutional shareholders and other parties.

A review of the effectiveness of the Code has been conducted each year from 2011. The process followed in 2020 was similar to the process followed in previous years and included an anonymous survey of all consultants engaged in executive pay consulting in the member firms and a questionnaire filled in by member firm Practice Leaders. It also included an analysis of the annual reports of FTSE 350 companies regarding disclosure on Remuneration Committee advisors. Due to Covid 19 restrictions, however, it was concluded that it was not possible to hold focus groups of consultants this year.

I am pleased to say that the consultation was productive, helpful and informative. It was reassuring to have confirmation 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 of the major themes, and outlines the specific amendments to the Code which were approved at the Annual General Meeting on 8 December 2020.

Overall, the review of the Code found that it remains fit for purpose and continues to fulfil a useful role in ensuring high standards of professionalism in remuneration advice. In this respect, it was pleasing that less than 2% of those who took part in the survey on the Code thought that there are additional matters which need to be reflected in the Code. Moreover, over 90% of Remuneration Committee Chairs thought that the Code is helpful in establishing working practices with advisors.

However, reflecting the feedback we received on the Code and to ensure that the Code remains both clear and relevant we made some changes to the Code. While some of the changes simply clarify the previous wording, others seek to bring the Code up to date with current governance and practice. In particular, we have amended the Code to reflect the 2018 Corporate Governance Code requirements for Remuneration Committees to consider the risks created by what could be judged excessive rewards and to take into account the wider company pay policy when taking decisions on executive remuneration. Encouragingly, 76% of Remuneration Committee Chairs said that their advisors ensure that the Remuneration Committee is mindful of the wider pay policy, a significant increase from 49% the last time we reviewed the Code in 2017.

Turning to the Review of the Effectiveness of the Code, the results were similar to 2019. It is good that 97% of consultants had read the Code (though we need to make it 100%). Furthermore, the training provided by member firms is improving; 41% of consultants received at least two formal training sessions in 2020 compared to 35% in the 2019 survey. It was also gratifying that 93% of con-

sultants considered that the influence of the Code on practices and behaviours in member firms is significantly for the better or a little for the better, which is a slight rise on 90% in 2019, but significantly higher than the 78% recorded in 2015.

Last year, I said that more was still to be done on engagement with Remuneration Committees without management present. This year's survey on the effectiveness of the Code revealed that 57% of consultants said that such meetings, in which the Code is discussed, are held at least annually, an increase from 52% in 2019. Interestingly, 88% of respondents to the survey on the Code answered that there is a private meeting at least annually. This might suggest that there are private meetings, but the Code is not always discussed at them. We would like to see further progress in this area, but the methods used to do this should be left to each member firm and their clients. 76% of consultants said that they always ensured that the Remuneration Committee was mindful of pay in the wider organisation, and given the requirement in Provision 33 of the U.K Corporate Governance Code 2018, we expect this to be more common in 2021. At a difficult time for society, employees and shareholders, there will be greater scrutiny than ever of the decisions by Remuneration Committees, which places even greater importance on the expertise and professionalism of remuneration consultants.

I would like to thank all those individuals who took the time to meet either me or another RCG independent board member to share their views on the Code, and to all those who responded to the questionnaire. The improvements to the Code could not have been achieved without this valuable input. I would also like to thank all those consultants in the member firms who responded to the survey on the review of the effectiveness of the Code.

Yours sincerely,

Alan Giles

Chairman

Contents

A. The RCG and its activities in 2020	5
B. The Review of the Code.....	7
Appendix 1	
Review of the Code - main consultation survey for Remuneration Committee Chairs and Other Stakeholders.....	12
Appendix 2	
Voluntary Code of Conduct in relation to executive remuneration consulting in the United Kingdom (December 2020).....	19
C. The Review of the Effectiveness of the Code	27
Appendix 3	
Effectiveness of the Code – Survey of Consultants.....	31
Appendix 4.....	
Effectiveness of the Code-Survey of Practice Leaders	41

A. The RCG and its activities in 2020

Background

The Remuneration Consultants Group ('RCG') was formed in 2009 and represents the overwhelming majority of executive remuneration consultancy firms advising UK listed companies.

The aim of the RCG is the stewardship and development of a voluntary Code of Conduct (the 'Code') which clearly sets out the role of executive remuneration consultants and the professional standards by which they advise their clients.

The inception of the Code and the RCG arose after the publication of the final recommendations of the Walker Review in November 2009. In this review, Sir David Walker advocated that it was appropriate 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. Every three years, a review of the Code is conducted by the Board.

During the course of 2020, the Code was reviewed and an extensive consultation process carried out. In addition, a review of the implementation of the Code was conducted.

The RCG currently has 12 members. The member firms are:

Alvarez & Marsal	FIT Remuneration Consultants LLP	MM&K Limited
Aon	Korn Ferry	Pearl Meyer
Deloitte LLP	KPMG	PwC
EY LLP	Mercer	Willis Towers Watson

The Board comprises an independent Chairman, two independent non-executive directors and four directors elected by the Members (who are executive compensation consultants working for the member firms).

The Board met six times in 2020. The attendance record of the Board members in 2020 is summarised below.

Member	16 Jan	18 Mar	4 May	1 Jul	21 Oct	8 Dec
Alan Giles	✓	✓	✓	✓	✓	✓
* Andrew Udale (Director)			✓	✓	✓	✓
John Lee (Director)	✓	✓	✓	✓	✓	✓
* Paul Townsend (Director)			✓	✓	✓	✓
Philippa Hird (Ind. Director)	✓	✓	✓	✓	✓	✓
Sally Cooper (Director)	✓	✓	✓	✓	✓	✓
Simon Neathercoat (Ind. Director)	✓	✓	✓	✓	✓	✓
+ Tom Gosling (Director)	✓	✓				

+ Resigned 1 April 2020

* Appointed 1 April 2020

A sub-committee of the Board also met to discuss the drafting of amendments to the Code and a separate sub-committee met to interview a short list of candidates for the post of independent director.

During the year, no complaints have been raised with any of the Member firms in relation to the Code, or referred to the Chairman.

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 (which was increased to every three years from 2017 in recognition of the greater maturity of the Code). As part of this commitment, the consultation process was launched in 2020 to invite comments to inform decisions on whether the Code is (i) 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 2020

The process followed had two main elements:

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

The results of this review are outlined below. The letter and the attached questions attracted 73 responses, up from 65 received in the 2017 review.

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

The major themes and changes to the Code

Overall, it was felt that the Code remains fit for purpose and continues to fulfil a useful role in ensuring high standards of professionalism in remuneration advice. Respondents to the survey found the Code most helpful and 82% felt reassured that their advisor is a member of the RCG and is adhering to the guidelines provided in the Code. The second most popular response (35%) was that the Code provides the basis for a conversation with the advisor to agree protocols. Many also found it reassuring that they were being advised of other types of work being done by the firm for the company and on the advisor's own protocols to ensure independence and objectivity. Over 90% of participants agreed that the Code is helpful in establishing working practices with their advisor and less than 2% felt that there are additional matters which need to be reflected in the Code. Interestingly, 39% of responses to the survey on the Code agreed that advisors need additional skills given the widening role of the Remuneration Committee, such as developing ESG metrics for incentive plans, expertise on workforce pay, and understanding societal views on pay. This is something the RCG intends to explore further and discuss in focus groups during the 2021 review of the effectiveness of the code.

There were a number of comments made by those who contributed to the process. Most of these were supportive of the Code and its aims. Some suggestions for improvement were made such as:

- Extending the Code to make reference to Remuneration Committees taking account of wider workforce pay and conditions when setting executive pay.
- Raising the understanding of the Code by Remuneration Committee Chairs and Remuneration Committees.
- Explaining the role played by each advisor where a company discloses more than one advisor in its Directors' Remuneration Report.

As a result of the review of the Code, members approved the amendment of the Code in a number of ways. Some of the changes clarified the current wording, but the more substantive amendments were to:

- reflect the 2018 U.K Corporate Governance Code that decisions on executive pay should have regard to the company's purpose, values and strategy
- require consultants to encourage Remuneration Committees to take account of the wider company pay policy when taking decisions on executive remuneration
- require consultants to encourage clients to consider the risks created by what could be judged as excessive rewards
- emphasise the need for consultants to be objective and impartial given the increasingly challenging role of the Remuneration Committee Chair
- where a firm is the lead advisor to a client its consultants should ensure that their clients are kept informed about developments in the field of executive remuneration
- encourage clients which have more than one advisor to the Remuneration Committee to explain each of their roles and the nature of their work in the Directors' Remuneration Report
- make it clearer that consultants should not adapt the role of their firm's client relationship manager for the provision of non-related services while also advising the Remuneration Committee

The Code after amendments were approved at the Members Meeting on 8 December 2020 is set out in Appendix 2.

Review of the Code - main consultation survey for Remuneration Committee Chairs and Other Stakeholders.

Summary of survey questionnaire responses

The 73 responses are summarised below:

Question 1: In what capacity are you completing this survey?

The respondents overwhelmingly were Remuneration Committee Chairs (97%).

Question 2: Which type of organisation do you represent?

The respondents represented FTSE 100 companies (34%), FTSE 250 companies (62%) and Other U.K Main List companies (29%). Some respondents sit on more than one Remuneration Committee.

Question 3: Prior to this survey, were you aware that a Code of Conduct governing the activities of remuneration consultants existed?

81% of participants were aware of the Code prior to the survey.

Question 4: Have you read the Code itself or been briefed on it or neither of these?

78% had read and/or had been briefed on the Code.

Question 5: Overall, are you happy that your remuneration consultant provides you with independent and objective advice?

All respondents were happy that they had been provided with independent and objective advice.

Question 6: The Code sets out the role of executive remuneration consultants and the professional standards by which they advise their clients, whether their clients are Remuneration Committees or the executive management of the company. What have you found most helpful about the Code?

The most popular response (82%) was reassurance from the fact that their advisor is a member of the RCG and adheres to the Code and the second most popular response (35%) was that the Code provides the basis for a conversation with the advisor to agree protocols. 29% felt that the most helpful aspect was being advised of other types of work being done by the firm for the company and on the advisor's own protocols to ensure independence and objectivity.

Question 7: Are you comfortable and clear that your advisors are able to resist pressure from management on an issue as and when necessary?

The overwhelming majority of respondents (98%) felt that their advisors were able to stand up to management where necessary and 43% had seen this in practice.

Question 8: Which of the following considerations does your remuneration advisor ensure the Committee is mindful of when assessing executive remuneration?

All of the respondents mentioned likely shareholder reaction. In addition, 97% of respondents felt that advisors ensured Committees were aware of the company's legal and regulatory obligations in-

cluding the Corporate Governance Code, 79% said the relationship between executive pay and strategy, and 76% mentioned the wider pay arrangements at the company (a big increase from the 2017 figure of 49%). Just over half of the respondents felt that the advisor ensured that the Committee was aware of the motivational impact on management, the inflationary impact of benchmarking and the need to choose appropriate benchmarks, and the relationship between executive pay and the company's specific culture. Only 34% of respondents felt that the advisor made the Committee aware of the impact on talent management and succession.

Question 9: What particular areas would you highlight where you see pressure placed on the independence of the advisor?

A variety of responses were received, including setting bonus targets and determining bonus outcomes and benchmarking. Mention was also made of an assertive and persuasive CEO, and where management lobbies the Committee not to follow the consultant's advice. A suggestion was made that the whole Board might be updated on the AGM season and investor reactions.

Question 10: How often does the remuneration committee chair and/or the committee as a whole meet alone with the committee's advisors?

88% said that there is a meeting at least annually, and 9% said the meetings are less than every year and 3% said the meetings never happen. Where meetings happen less than annually, mention was made of telephone calls at least once a year, when the company's pay policy is reviewed and when there is a difference of view between the Remuneration Committee and management.

Question 11: Overall, is the Code helpful in establishing working practices with your advisors? If the Code is not helpful, please say why.

Over 90% of respondents felt that the Code was helpful. When asked to specify why the Code is not helpful, some said that they had not been aware of the Code and had not discussed it with advisors.

Question 12: Unsolicited benchmarking means sending out reports which have been modified in some way to refer to the recipient company but not generic surveys such as a FTSE 100 or pharmaceutical survey which has not been modified for that company in any way (bespoke benchmarking as part of a response to an RFP constitutes solicited rather than unsolicited benchmarking). The Code prohibits sending of unsolicited benchmarking to clients and non-clients. Have you received any unsolicited benchmarking from a member of the RCG in the last 12 months? For ease of reference, the member firms are: Alvarez & Marsal, Aon, Deloitte LLP, Ernst & Young LLP, FIT Remuneration Consultants LLP, Korn Ferry, KPMG LLP, Mercer, MM&K, Pearl Meyer, PwC, Willis Towers Watson.

The overwhelming majority (99%) confirmed that they were not aware of any instances.

Question 13a Given the widening role of the remuneration committee, are there additional skills or inputs you need from your adviser compared with the historic position?

39% agreed that additional skills are needed. Responses were varied and included developing ESG metrics for incentives, understanding societal views on pay, helping to defend policies to various stakeholders, workforce pay, employee engagement and talent management. Further details are in Appendix 1.

Question 13b: Are there additional matters which need to be reflected in the Code?

98% said there are no additional matters and there were no specific suggestions from those who thought otherwise.

Question 14: Do you have any other comments regarding the Code?

There were few comments, although it was suggested that the Code should be circulated to Remuneration Committee Chairs and there should be an explicit reminder that the Code exists.

Appendix 1

Review of the RCG Code of Conduct 2020 – Main Consultation Survey of Remuneration Committee Chairs, Remuneration Committee Members and Company Chairs.

Total responses: 73 (65 in 2017 survey). Please note that in some cases the responses to the question add to more than 100% because some individuals ticked more than one response.

Question 1: In what capacity are you completing this survey? (tick all that apply)

Answer Options	Response Percentage (%)
a. Remuneration Committee Chair	97.26
b. Remuneration Committee member (at a company where not also Committee Chair)	6.85
c. Company Chair	1.37

answered question: 73

Question 2: Which type of organisations do you represent? (tick all that apply)

Answer Options	Response Percentage (%)
a. FTSE100	34.25
b. FTSE250	61.64
c. Other UK Main list	28.77

answered question: 73

N.B If none of the Answer Options to Question 1 or Question 2 applied to him/ her the individual was not asked to answer any further questions.

Question 3: Prior to this survey, were you aware that a Code of Conduct governing the activities of re-

muneration consultants existed?

Answer Options	Response Percentage (%)
a. Yes	80.60
b. No	19.40

answered question: 67

Question 4: Have you read the Code itself or been briefed on it or neither of these?

Answer Options	Response Percentage (%)
a. Read and/or been briefed	70.15
b. Neither	29.85

answered question: 67

Question 5: Overall, are you happy that your remuneration consultant provides you with independent and objective advice?

Answer Options	Response Percentage (%)
a. Yes	100.00
b. No	0.00

answered question: 67

Question 6: The Code sets out the role of executive remuneration consultants and the professional standards by which they advise their clients, whether their clients are Remuneration Committees or the executive management of the company. What have you found most helpful about the Code? (Tick all that apply.)

Answer Options	Response Percentage (%)
a. It provides the basis for a conversation with the advisor to agree protocols.	35.38
b. I take reassurance from the fact that our advisor is a member of the RCG and adheres to the Code.	81.54
c. Being advised of other types of work being done by the firm for the company and on the advisor's own protocols to ensure independence and objectivity.	29.23
d. Other (please describe)	4.62

answered question: 65

Responses: There were very few answers of 'Other', although one person who gave that response said that advisers regularly refer to the Code to ensure their objectivity and independence.

Question 7: Are you comfortable and clear that your advisors to the remuneration committee are able to resist pressure from management on an issue as and when necessary?

Answer Options	Response Percentage (%)
a. Yes	55.22
b. Yes (and have seen this in practice)	43.28
c) No	1.49

answered question: 67

Question 8: Which of the following considerations does your remuneration advisor ensure the Committee is mindful of when assessing executive remuneration? (tick all that apply)

Answer Options	Response Percentage (%)
a. The relationship between executive pay and strategy	79.10
b. The relationship between executive pay and the company's specific culture	53.73
c. Likely shareholder reaction	100.00
d. Impact on talent management and succession	34.33
e. The wider pay arrangements at the company	76.12
f. The motivational impact on management	56.72
g. The inflationary impact of benchmarking and the need to choose appropriate benchmarks	56.72
h. The company's legal and regulatory obligations including the Corporate Governance Code	97.01

answered question: 67

Question 9: What particular areas would you highlight where you see pressure placed on the independence of the advisor?

answered question: 34

Responses: Generally, consultants were felt to be maintaining their independence, but some noted that pressure was exerted on the advisers over setting incentive targets, bonus out-turns, management retention, benchmarking, where there is an assertive and persuasive CEO and where management lobbies the Remuneration Committee not to follow the adviser's advice. One suggestion was that the whole Board, not just the Remuneration Committee, is given an update on the AGM season and investor reactions.

Question 10: How often does the remuneration committee chair and/or the committee as a whole meet alone with the committee’s advisors?

Answer Options	Response Percentage (%)
a. At least annually	87.69
b. Sometimes, but less than every year (please specify below)	9.23
c. Never	3.08

answered question: 65

Responses: Where the answer was sometimes but less than every year, the comments included talking on the telephone at least once a year, as a minimum at least every three years when the pay policy is reviewed, when there is a difference in view between the Remuneration Committee and management, and on an ad hoc basis.

Question 11: Overall, is the Code helpful in establishing working practices with your advisors? If the Code is not helpful, please say why.

Answer Options	Response Percentage (%)
a. Yes	90.48
b. No (please say why the Code is not helpful below)	9.52

answered question: 63

Responses: Few said that the Code was not helpful, although some were not aware of the Code and had not discussed it with advisors.

Question 12: Unsolicited benchmarking means sending out reports which have been modified in some way to refer to the recipient company but not generic surveys such as a FTSE100 or pharmaceutical survey which has not been modified for that company in any way (bespoke benchmarking as part of a response to an RFP constitutes solicited rather than unsolicited benchmarking).

The Code prohibits the sending of unsolicited benchmarking to clients and non-clients. Have you received any unsolicited benchmarking from a member of the RCG in the last 12 months?

For ease of reference, the member firms are: Alvarez & Marsal, Aon, Deloitte LLP, Ernst & Young LLP, FIT Remuneration Consultants LLP, Korn Ferry, KPMG LLP, Mercer, MM&K, Pearl Meyer, PwC, Willis Towers Watson.

Answer Options	Response Percentage (%)
a. Yes	1.49
b. No	98.51
answered question: 67	

Question 13a: Given the widening role of the remuneration committee, are there additional skills or inputs you need from your advisor compared with the historic position?

Answer Options	Response Percentage (%)
a. Yes (please specify below)	38.81
b. No	61.19
answered question: 67	

Responses: The additional responses included assistance with developing ESG metrics for incentives, understanding of societal views on pay beyond investors and help with defending policies to various stakeholders, helping formulate policy in the light of COVID, workforce pay, employee engagement, talent management and managing interaction with the workforce and shaping pay to fit with organisational

culture.

Question 13b: Are there additional matters which need to be reflected in the Code?

Answer Options	Response Percentage (%)
a. Yes (please specify)	1.54
b. No	98.46
answered question: 65	

Responses: There was only one respondent who responded 'Yes' and there were no specific suggestions.

Question 14: Do you have any other comments regarding the Code?

answered question: 20

Responses: The great majority replied that they had no further comments, although it was suggested that the Code should be circulated to Remuneration Committee Chairs and that there should be an explicit annual reminder that it exists.

Appendix 2

VOLUNTARY CODE OF CONDUCT IN RELATION TO EXECUTIVE REMUNERATION CONSULTING IN THE UNITED KINGDOM (December 2020)

Preamble

Executive remuneration consultants (“Consultants”) are business advisors who provide a professional and independent service to client companies (“Clients”), 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 purpose, values and strategy, financial situation, pay philosophy and culture; the views of all relevant stakeholders; and the Board’s statutory duties (including those set out in the Corporate Governance Code and its duties to wider stakeholders, including but not limited to those referred to in Section 172 of the Companies Act 2006).

This Code clarifies the scope and conduct of the Consultants’ role and recognises 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 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 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 but those terms of reference may cover a much wider population and pay and conditions of the wider workforce.

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 stakeholders 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 can 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 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 fully take into account good practice and promote the UK Corporate Governance Code principle that pay should be designed to promote the long-term success of the company.

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 Clients and their Board committees 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. All firms which are signatories to the Code are expected to build it into their terms of business with clients and ensure that they and their consultants adhere to those terms.

The Code was first published in 2009 and has been reviewed biennially until 2017 and triennially 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, larger unlisted companies and mutuals) 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.

While the primary focus of the Code is on the provision of advice to Remuneration Committees, the fundamental principles of the Code should equally apply to Consultants advising on executive remuneration but not formally appointed by the Remuneration Committee (e.g. where advice is provided to the company's management rather than the Committee).

Compliance

To ensure that all individual consultants within a firm comply with the Code, each firm will provide training and professional development for all Consultants which ensures that they are competent to consult within the framework of this Code.

The lead consultant at each member firm will write to the Chairman of the RCG ("the Remuneration Consultants Group") annually confirming his or her firm's compliance with this requirement.

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.

Where any person believes that a Consultant has breached the Code, they should report this to the member firm concerned. If they feel that the response is unsatisfactory, a complaint may be made to the Chairman of the RCG who would then raise it at an appropriate level with the relevant firm. If the Board of the RCG is not satisfied with the response it receives from the firm, it may judge the firm to be in breach of the Code and where, in the opinion of the Board, the firm has failed to meet the standards of behaviour which it is reasonable to expect under the Code and has failed to make appropriate remediation, it may determine that membership of the RCG should terminate.

Fundamental Principles

Consultants 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 individual Consultants may be members.

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.

Objectivity

It is important that the Remuneration Committee advisor is objective and impartial as the role of the Remuneration Committee Chair is challenging with many interested parties whose objectives and interests may differ. The Remuneration Committee Chair relies heavily on the Remuneration Committee advisor who can often be the only source of wholly independent advice.

Consultants should not allow conflict of interest or influence of others to override professional or business judgements and should 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 the Consultant is providing advice, establishing the role expected of the Consultant and agreeing the processes and protocols to be followed.

Where the Consultant is appointed as principal advisor to the Remuneration Committee, the Consultant should have direct access to the Remuneration Committee chairman during the course of the engagement.

When the Consultant is appointed as a principal advisor to the Remuneration Committee, it is important to agree with the Chair of that committee and record, at the outset of the engagement, supporting protocols in order to safeguard objectivity. These are likely to cover the lines of communication between the Consultant and executive management at the 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 while also advising the Remuneration Committee

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.

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.

Good Practice Guidelines

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

General

1. The role of Consultants is to ensure that Clients are appropriately informed on remuneration matters. In fulfilling this role, consultants should encourage Clients to:
 - ensure that pay is properly linked to the long-term performance of the business;
 - 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. Consultants should make the Remuneration Committee aware of the likely reaction to a company's proposed remuneration arrangements of shareholders and other key stakeholders and should encourage Clients to consider the risks created by what could be judged as excessive rewards.
4. Consultants should encourage the Remuneration Committee to take into account the wider company pay policy when taking decisions on executive remuneration.
5. Where appropriate, Consultants should seek to help Remuneration Committees to take into account talent and succession planning when making decisions on pay.

Transparency

6. 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 good practice and published guidance.
7. 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. It should also include commentary as to the Consultant's view regarding the appropriateness of the comparator group selected and any weaknesses of the data (both in terms of the comprehensiveness and the inclusion of potentially larger and/or more complex companies).
8. Reports and other written documents should identify the sources of information used.
9. It should be made clear where the Consultant is relying on information provided by management or elsewhere. Where the Consultant contributes to a joint report with management, it should be clear in the report what the Consultant's opinion is and what management's opinion is. Where there has been significant management input to proposals outside the Remuneration Committee, this should be made clear in the report.
10. Consultants should be careful to ensure that written advice is capable of being read and understood by the Remuneration Committee without the Consultant being present.

11. All appointments should be governed by an engagement letter between the Consultant and the Client which makes clear to whom the Consultant is providing advice, i.e., whether to the Remuneration Committee or the executive management of the company or otherwise.
12. 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).
13. In order to be aware of and mitigate any potential conflicts of interest, when the Consultant is appointed as a 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 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;
 - at least at a high level, of all the work that the Consultant's firm carries out for the Company;
 - the safeguards in place to ensure that information provided by the Client 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 the 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.
14. 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. Where a Client has more than one advisor to the Remuneration Committee, Consultants should also encourage their Client to disclose the role and the nature of advice provided by each.

Integrity

15. 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.

16. In relation to shareholders' engagement, the Remuneration Committee is responsible for explaining the Company's pay arrangements to shareholders and its chairman would normally be the principal point of contact for shareholders. Where Consultants are involved in this process, their primary responsibility should be to assist 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.
17. Consultants should market their services to both current and prospective clients in a responsible way and should maintain the professional standards set out in this Code in their marketing activities. In particular, bespoke pay benchmarking reports should not be sent to clients or non-clients on an unsolicited basis (although firms may send their general published surveys, including industry surveys, which do not specifically identify pay at a targeted company).

Objectivity

18. When the Consultant is appointed as a 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);
 - advising the Remuneration Committee that it is expected that the Consultant would meet periodically privately with the Remuneration Committee Chair and/ or the Remuneration Committee as a whole, in order to review remuneration issues and any implications of business strategy development and market change, and to clarify appropriate arrangements for this company;
 - clarify the extent to which the Consultant should have access to and/ or provide advice to management (whether on remuneration matters or more generally and the protocols in place to avoid any conflicts from arising);
 - 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. In the absence of confirmation to the contrary, Consultants should not provide directly to an individual benchmark data relating to his or her own package;
 - 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.

19. When the Consultant is appointed as a principal Remuneration Committee advisor, management should be made aware that, as advisor to the Remuneration Committee, it would be expected that the Consultant should have direct access to the Committee Chair.
20. These protocols should be reviewed annually to ensure that any perceived or real conflicts of interest are dealt with. The Consultants and the Remuneration Committee Chairman should also discuss whether and how the procedures and protocols in place should be described in the Directors' Remuneration Report. The Consultant (or another member of his or her firm) should offer to discuss the protocols with the Remuneration Committee Chairman at least annually.

Competence and Due Care

21. 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 should either decline to act or qualify the advice.
22. Where a Consultant is aware of any limitations in their advice, they should make their Client aware of such limitation.
23. Where a firm is the lead advisor to a client its Consultants should ensure that their Clients are kept informed about developments relevant to the field of executive remuneration.

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 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. This evaluation has been undertaken every year from 2011.

The process for 2020

There were three main components of the Code effectiveness assessment. This was similar to 2019, except that due to COVID 19 restrictions there were no focus group discussions this year.

- An anonymous electronic survey of all employees engaged in executive pay consulting in the Member firms. The 2020 survey attracted responses from 218 individuals. In 2019, 207 responses were received. The survey questions and the responses can be found in Appendix 3.
- A questionnaire filled in by Practice Leaders of nine of the then 11 member firms. The aim of this element of the review is to discover and share examples of helpful practice which may be useful across all member firms and to identify areas for improvement for better implementation of the Code. The questionnaire and the responses can be found at Appendix 4.
- The identification of the number of FTSE 350 companies which disclosed in their DRR (i) their Remuneration Consultant and (ii) that their Remuneration Consultant was a signatory to the Code.

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

Appendix 3 provides detailed results and shows the percentage responses for this year's and last year's survey. The survey covered consultants at all levels of experience and seniority. Since 2019, respondents have been asked in Question 1 if they work on a FTSE 350 Remuneration Committee appointment. Those who said they did not were not required to complete the rest of the survey. As such, the summary of the results below is based on the respondents who answered 'yes'.

A summary of the responses to multiple choice questions is set out below.

- 99% of respondents already knew that the Code existed, (99% also in 2019) and 97% had read it (97% in 2019).
- Over 41% of consultants received two sessions or more of formal training in the last 12 months, which is significantly more than the 35% recorded in the 2019 survey, and a further 52% received one session of formal training. Approximately 7% of individuals received no formal training on the use of the Code, which is slightly less than the 8% in 2019. Respondents have also received informal training, with 36% having received a lot and 57% a little informal training. 71% stated that the training was very effective, which is a significant increase from the 63% recorded in 2019, whilst only 2% stated it was not effective, a slight decrease from 4% last year.

- Only 35% thought that the Code was discussed frequently with clients, although this was an increase on 2019 (28%). 58% discussed it infrequently, compared to 62% in 2019.
- When asked to what extent the Code influences practices and behaviours within their firms, 49% of respondents felt that the influence was significantly for the better (the same as in 2019) and 44% said that it was a little for the better (41% in 2019).
- 97% of individuals said they are always clear whether they are working for the Remuneration Committee or for management (same as in 2019).
- Only slightly above 1% thought there are ethical issues in providing executive remuneration advice which are not addressed through the Code (over 2% in 2019). One consultant commented that to address the situation where the client does something without consultant input or against consultant advice there should be greater clarity that consultants advise and companies decide (see Appendix 3 for comments). Only 3% thought the Code needs further improvement (2% in 2019).

The following responses were provided by consultants with at least six years' experience.

- Around 80% of respondents stated that their firm has periodic one-to-one meetings with the Remuneration Committee Chair without management present and in which the RCG Code is discussed. Over 57% stated that these meetings took place at least annually and about 22% stated that it was less often than annually. A further 15% did not know. This is slightly below 2019 when about 83% of respondents stated that their firm has periodic one-to-one meetings with the Remuneration Committee Chair without management present, although the proportion which said that meetings are held at least annually has increased from 52% to 57%.
- 56% of respondents felt either very comfortable challenging the views of management at Remuneration Committee meetings (57% in 2019), with a slight decrease in the percentage who felt comfortable to 30% from 34%. Only 1% felt uncomfortable (no one in 2019).
- 90% of individuals state that they always encourage clients to ensure pay is properly linked to the long-term performance of the business whilst about 9% stated that it was done mostly. This response is largely aligned to last year.
- 100% of respondents always or mostly 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 (same as in 2019).
- When asked if they ensured advice was suitably linked to client strategy, 98% of respondents felt it always, or mostly, was. The remaining 2% of respondents said that they were involved only in a limited aspect such as the provision of data. This is similar to responses provided in 2019.
- When asked if they ensured that the Remuneration Committee was mindful of pay in the wider organisation, 76% felt they always do (a decrease from 82% in 2019) whilst about 22% felt they mostly do (compared to 18% in 2019).
- 97% say that they make the Remuneration Committee aware of the likely views of shareholders, a very similar result to 2019.
- 95% always ensure that their reports are 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 (96% in 2019).
- 87% always ensure that their reports clarify where information is provided by management or from other consulting firms (92% in 2019).
- 92% always ensure that they are clear in their report what is their firm's opinion and what is management opinion (94% in 2019).

- 94 % always ensure that their written advice is capable of being read and understood by the Remuneration Committee without their presence (94% in 2019).
- No one said that they had been involved in sending unsolicited benchmarking in the past 12 months.
- 100% were clear that reasonable steps have been taken to ensure potential conflicts are appropriately managed in accordance with the Code (same in 2019).
- 95% of respondents stated that they were not the client's relationship manager for the provision of services not related to remuneration in any of their accounts where they are the principal remuneration consultant. This was the first year in which this question was asked.

2) The main themes from the questionnaire sent to senior consultants

A questionnaire was sent to the leaders of the executive remuneration practices at the then 11 member firms and one submission was expected from each firm. Nine firms responded.

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.

The following key themes were identified:

- The member firms ensure awareness of the Code via training, typically annually. In two cases, consultants have to pass a test on the Code.
- Firms ensure adherence to the Code in a number of ways, varying from including it in a formal process for taking on new clients, offering Remuneration Committee Chairs an annual private meeting at which the Code would be discussed (though not all Remuneration Committee Chairs take up the offer), reminding the Remuneration Committee Chair of the Code once a year, including the Code in inductions of Non-Executive Directors and senior employees, holding client portfolio reviews to discuss the firm's independence and including questions on the Code as part of feedback on projects.
- In general, the firms believe the Code is useful and ingrained in the firm's business methods and that there were no significant barriers to implementing the Code. That said, there does not appear to be much feedback or questions about the Code from companies and Remuneration Committee Chairs (other than in pitches).
- The responses were broadly similar to those in 2019.

3) Disclosure

Based on the Directors' Remuneration Report disclosures published in 2020 so far:

- Of the 96 FTSE 100 companies that disclose a named Remuneration Committee advisor, 92% disclosed that their advisor is a signatory to the RCG Code. (2019-93%).
- Of the 167 FTSE 250 companies that disclose a named Remuneration Committee advisor, 94% disclosed that their advisor is a signatory to the RCG Code (2019-92%).

Note: Investment trusts have been excluded from the analysis

Recommendations for 2021

As always, the review brings to the fore certain aspects which should form the core of the work of the RCG in future years. This year, the key areas we would highlight for future focus and work would be:

- Consultants to try to ensure that Remuneration Committee Chairs are more aware of and have more understanding of the Code and that consultants continue to attempt to hold a discussion at least once a year to discuss how the Code is being implemented;
- Consultants to always remind the Remuneration Committee that they should be mindful of pay in the wider organisation when making their decisions.
- Member firms to share best practice in training about the Code
- Explore what additional skills are needed by consultants, including discussing this at the 2021 focus groups due to be held when reviewing the effectiveness of the Code.

Appendix 3

Review of the Effectiveness of the RCG's Code – Survey of Consultants

Statistics shown in brackets represent the 2019 survey results (where available). It is noted that the survey for all consultants split questions into those for senior consultants and those for consultants of all grades to ensure relevance.

Total responses: 218 (207 in 2019), but 34 answered 'No' to Question 1 and were excluded from completing the rest of the survey.

Question 1: In your current role do you work on a FTSE 350 RemCo appointment or deliver other services directly to a FTSE 350 RemCo?

Answer Options	Response Percentage (%)
a. Yes	84.40
b. No	15.60

answered question: 218

Question 2: Which member firm do you work for?

We have not provided the answers to this question, for reasons of commercial sensitivity.

Question 3: How many years of executive pay consulting experience do you have?

Answer Options	Response Percentage (%)
a. Less than 1 year	11.05 (6.29)
b. Between 1 and 3 years	15.47 (19.50)
c. More than 3 and up 6 years	20.99 (23.90)
d. More than 6 and up to 9 years	13.26 (16.98)
e. More than 9 years	39.23 (33.33)

answered question: 181

Question 4: Do you personally provide advice to and attend Remuneration Committee meetings?

Answer Options	Response Percentage (%)
a. Yes	54.14 (57.23)
b. No	45.86 (42.77)

answered question: 181

Question 5: Prior to this survey, were you aware that a Code of Conduct governing the activities of remuneration consultancies existed?

Answer Options	Response Percentage (%)
a. Yes	99.45 (99.37)
b. No	0.55 (0.63)

answered question: 181

Question 6: Have you read the Code of Conduct?

Answer Options	Response Percentage (%)
a. Yes	97.24 (96.86)
b. No	2.76 (3.14)

answered question: 181

Question 7: How much *formal* training (e.g. induction, webcasts, lunch and learns) have you had on the use of the Code in the last 12 months?

Answer Options	Response Percentage (%)
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a. Two sessions or more per annum	41.01 (34.59)
b. only one session	52.25 (57.23)
c. None	6.74 (8.18)

answered question: 178

Question 8: How much *informal* training (e.g. discussions with other consultants, references in work) have you had on the use of the Code in the last 12 months?

Answer Options	Response Percentage (%)
a. A lot	36.46 (34.59)
b. A little	57.46 (57.86)
c. None	6.08 (7.55)

answered question: 181

Question 9: Do you think the training you received was effective?

Answer Options	Response Percentage (%)
a. Very effective	71.11 (62.89)
b. Quite effective but could be improved	26.67 (32.70)
c. Not effective	2.22 (4.40)

answered question: 180

Question 10: How often is the Code discussed during the course of your client work?

Answer Options	Response Percentage (%)
a. Frequently	35.36 (27.67)
b. Infrequently	58.01 (62.26)

c. Not at all

6.63 (10.06)

answered question: 181

Question 11: To what extent do you think the Code influences practices and behaviours in your firm?

Answer Options	Response Percentage (%)
a. Significantly (Significantly for the better)	48.89 (49.06)
b. A little (A little for the better)	44.44 (40.88)
c. Not at all	3.33 (1.89)
d. No view	3.33 (8.18)

answered question: 180

Question 12: When you are working for a client, are you always clear for whom you are doing the work and whether it is for the Remuneration Committee or for management?

Answer Options	Response Percentage (%)
a. Yes	96.69 (97.48)
b. No	3.31 (2.52)

answered question: 181

Question 13: Are there any ethical issues which arise in providing executive remuneration advice which are not addressed through the Code?

Answer Options	Response Percentage (%)
a. Yes (please specify below)	1.10 (2.61)

b. No

98.90 (97.39)

answered question: 181

Responses: Very few thought that there are ethical issues not currently addressed by the Code, but there was a comment that a firm should not not provide ad hoc advice to Remuneration Committees if it is also the auditor. Another person felt that to address the situation where the client does something without consultant input or against consultant advice there should be greater clarity that consultants advise and companies decide.

Question 14: Do you think the Code needs further improvement?

Answer Options	Response Percentage (%)
a. Yes (please specify below)	2.78 (1.95)
b. No	97.22 (96.75)

answered question: 180

Question 15: Do you have any other comments on the Code?

answered question: 29

The great majority of respondents did not have further comments. However, some noted that their firm's policies and standards overlap with the Code and sometimes are more exacting. Another mentioned that the consultant's role is not just to enforce ISS/IVIS requirements, but to advise based on the assessment of the situation.

ADDITIONAL QUESTIONS FOR CONSULTANTS WITH 6+ YEARS' EXPERIENCE

(Consultants with 6+ years' experience, over 50% of the total)

Question 16: In general, does your firm have periodic one-to-one meetings with client Remuneration Committee Chairs without management present in which the RCG Code of Conduct is discussed?

Answer Options	Response Percentage (%)
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a. Yes - at least annually	57.45 (51.90)
b. Yes - less often than annually	22.34 (31.65)
c. No	5.32 (1.27)
d. Don't know	14.89 (15.10)

answered question: 94

Question 17: How comfortable are you in challenging the views of management at Remuneration Committee meetings (when circumstances call for it)?

Answer Options	Response Percentage (%)
a. Very comfortable	56.38 (56.96)
b. Comfortable	29.79 (34.18)
c. Uncomfortable	1.06 (0)
d. Not applicable	9.57 (6.33)
e. It depends (please say more)	3.19 (2.53)

answered question: 94

Responses included a comment that the situation with each client is different with different relationships and that it is easier to challenge on facts than on subjective matters.

Question 18: Do you encourage your clients to ensure that pay is properly linked to the long-term performance of the business?

Answer Options	Response Percentage (%)
a. Always	90.32 (94.94)
b. Mostly	8.60 (5.06)
c. Sometimes	1.08 (0)
d. No	0 (0)

answered question: 93

Question 19: Do you encourage your 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?

Answer Options	Response Percentage (%)
a. Always	92.55 (96.20)
b. Mostly	7.45 (3.80)
c. Sometimes	0 (0)
d. No	0 (0)

answered question: 94

Question 20: When advising a company on its remuneration arrangements generally, do you ensure that your advice is suitably linked to the client's strategy?

Answer Options	Response Percentage (%)
a. Always	92.55 (94.94)
b. Mostly	5.32 (3.80)
c. No	0 (0)
d. I am only involved in a limited aspect such as the provision of data	2.13 (1.27)

answered question: 94

Question 21: When advising a Remuneration Committee, do you ensure it is mindful of pay in the wider organisation?

Answer Options	Response Percentage (%)
a. Always	75.53 (82.28)
b. Mostly	22.34 (17.72)
c. Sometimes	2.13 (0)
c. No	0 (0)

answered question: 94

Question 22: Where you are advising the Remuneration Committee, do you make the Remuneration Committee aware of the likely views of shareholders on your client's executive remuneration?

Answer Options	Response Percentage (%)
a. Always	96.81 (98.73)
b. Mostly	3.19 (1.27)
c. No	0 (0)

answered question: 94

Question 23: Do you ensure that your reports are 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?

Answer Options	Response Percentage (%)
a. Always	94.62 (96.20)
b. Mostly	5.38 (3.80)
c. No	0 (0)

answered question: 93

Question 24: Do you ensure that your reports clarify where information is provided by management or from other consulting firms?

Answer Options	Response Percentage (%)
a. Always	87.10 (92.41)
b. Mostly	12.90 (7.59)
c. Sometimes	0 (0)
d. No	0 (0)

answered question: 93

Question 25: Do you ensure that you are clear in your report what is your firm's opinion and what is management's opinion?

Answer Options	Response Percentage (%)
a. Always	92.47 (93.67)
b. Mostly	7.53 (6.33)
d. No	0 (0)

answered question: 93

Question 26: Do you ensure that your written advice is capable of being read and understood by the Remuneration Committee without your presence?

Answer Options	Response Percentage (%)
a. Always	93.55 (93.67)
b. Mostly	5.38 (6.33)
c. No	1.08 (0)

answered question: 93

Question 27: Unsolicited benchmarking means sending out reports which have been modified in some way to refer to the recipient company but not generic surveys such as a FTSE 100 or pharmaceutical survey which has not been modified for that company in any way (bespoke benchmarking as part of a response to an RFP constitutes solicited rather than unsolicited benchmarking). The Code prohibits sending of unsolicited benchmarking to clients and non-clients. Have you been involved in sending unsolicited benchmarking in the last 12 months?

Answer Options	Response Percentage (%)
a. Yes	0 (0)
b. No	100 (100)

answered question: 94

Question 28: Are you clear that reasonable steps have been taken to ensure that potential conflicts of interest are appropriately managed in accordance with Paragraph 12 of the Code?

Answer Options	Response Percentage (%)
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a. Yes	100 (100)
b. No	0 (0)

answered question: 93

Question 29: The Code prohibits consultants from adopting 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. On any of your accounts where you are the principal remuneration consultant, are you the client’s relationship manager for the provision of services not related to remuneration? (new for 2020)

Answer Options	Response Percentage (%)
a. Yes	5.32 (N/A)
b. No	94.68 (N/A)

answered question: 94

Appendix 4

Effectiveness of the Code – Questionnaire for Practice Leaders

A questionnaire was sent to the practice leader of the executive remuneration practices at 11 member firms. 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.

1. *Internal communication – List the actions that you take within your firm to ensure **awareness** of the Code?*

Most of the responses stated that they ensure the awareness of the Code via training for their consultants and for new staff. This training is typically held annually and led by senior members of staff, who are available to discuss any questions. This is often as part of periodic team meetings. One member has a dedicated regulatory team which is responsible for staff awareness of the Code and individuals' obligations.

Two firms stated that they conduct a test which the staff are required to pass to ensure that they have reviewed the Code. One stated that they looked at on how the Code would impact practical, real life client situations.

2. *Internal adherence – List the actions that you take within your firm to ensure effective **adherence** to, and **implementation** of, the Code?*

Firms ensure adherence and implementation of the Code in many ways. Among the methods mentioned were including it in a formal process for taking on new clients, offering private meetings with Remuneration Committee Chairs at which the implementation of the Code is discussed, reminding the Remuneration Committee Chair of the Code once year and discussing the Code when providing induction training to new Non-Executive Directors/senior management. One member referred to client portfolio reviews to discuss the firm's independence and including questions on the Code as part of the feedback received on projects.

3. *Conflicts – If not covered in question 2, specify what steps you take to manage conflicts?*

The responses included being explicit when taking on a new client whether the client is the Remuneration Committee or management, not cross-selling other services and not being the overall client relationship partner for unrelated services.

4. *External communication – Explain the ways in which you communicate to clients your firm's obligations under the Code?*

Common responses included when submitting proposals for new work, when agreeing terms of business with the client and during the annual review with the Remuneration Committee Chair.

Some responses referred to encouraging clients to disclose that the advisor is an RCG member in the Directors' Remuneration Report.

5. *Unsolicited benchmarking means sending out reports which have been modified in some way to refer to the recipient company but not generic surveys such as a FTSE100 or pharmaceuti-*

cal survey which has not been modified for that company in any way (bespoke benchmarking as part of a response to an RFP constitutes solicited rather than unsolicited benchmarking). The Code prohibits sending of unsolicited benchmarking to clients and non-clients. What steps do you take to ensure that such unsolicited benchmarking is never sent?

There were a variety of responses including training, including for new staff, and peer review of material sent to companies. Some responses said that sending unsolicited benchmarking would be against their culture and company policy and one member said that it is a formal disciplinary issue for such a breach of the Code.

6. Impact – In practice, to what extent do you think the Code influences practices and behaviours in your firm?

Many responses indicated an appreciation of the usefulness of the Code and how it is ingrained in the firm's own methods of business. In some cases the Code was considered complementary to or reinforces other applicable Codes. Some felt that the Code helps consultants understand their professional and ethical responsibilities and provide a reminder to the firm and the client of the importance of being objective and independent.

7. Challenges – Do any barriers exist to the effective implementation of the Code?

In general firms did not consider that there were significant barriers to implementing the Code, although one firm felt there could be a risk of complacency if Remuneration Committee Chairs are not fully engaged in the Code and that there is a case for increasing the awareness of the Code with internal reward teams and Company Secretaries.

8. Recent improvements – What changes has your firm made (if any) in the last two years to ensure and/or increase adherence to the Code? For example, what arrangements do you have in place to ensure that Remuneration Committee Chairs are met with periodically?

Some responses highlighted that they have made improvements through their training programmes and communications with Remuneration Committee Chairs and one response said they had introduced a register of invitations for the annual meeting with the Remuneration Committee Chair, but most firms had not made any changes in the last two years.

9. Feedback – Do you generally find that clients and Remuneration Committee Chairs are interested and/or ask questions about your compliance with the Code?

In general, the firms said that clients/Remuneration Committee Chairs do not ask questions about the firm's compliance with the Code, other than during the pitch process, nor have firms received feedback from them on the Code.

10. Feedback – Have you received any feedback about the Code from clients and Remuneration Committee Chairs? If you have received any feedback, what was it?

All responses except one said they had not received feedback, the exception saying that in client meetings clients say they are happy the Code is there.

11. Practical example – Could you describe any instances when the Code has helped resolve a situation on a client?

Some examples were given of instances when the Code has helped resolve a situation with a client, including pointing out to management that the client is the Remuneration Committee, deciding not to take on an appointment where a client wished to withhold certain information from the Remuneration Committee which would have breached transparency and using the Code to justify not supplying pay data to an executive about himself when the data was due to be shared with the Committee.

12. Compliance – Does the risk and compliance function at your firm assess compliance with the Code during their quality assurance processes (e.g. file reviews etc.)?

Where a firm has a risk and compliance function there is mixed practice on whether they assess compliance with the Code during their quality assurance process.

13. Do you have any other comments on the Code?

Most had no further comments. However, a number commented on how the Code is a force for good and works well. One response expressed surprise that many firms advising Small Cap and AIM companies are not RCG members and that it is possible that such firms are not aware of the RCG. Another said that the RCG should invite firms advising in this space to join the RCG if not already members and that the Code should be used to drive up standards for all practitioners in this area.