



# MM&K and Preng & Associates

## *Life in the Boardroom* Breakfast Seminar

**Chairman: Paul Norris**

All together more rewarding

## Agenda

1. *Life in the Boardroom* Survey – Overview  
Damien Knight
2. Board dynamics and the role of NEDs  
Brendan Connolly
3. Improving company-shareholder consultation  
Eugenia Unanyants-Jackson
4. Panel questions and answers



# *Life in the Boardroom Survey – Overview*

**Damien Knight – Principal, MM&K**

All together more rewarding

## My presentation

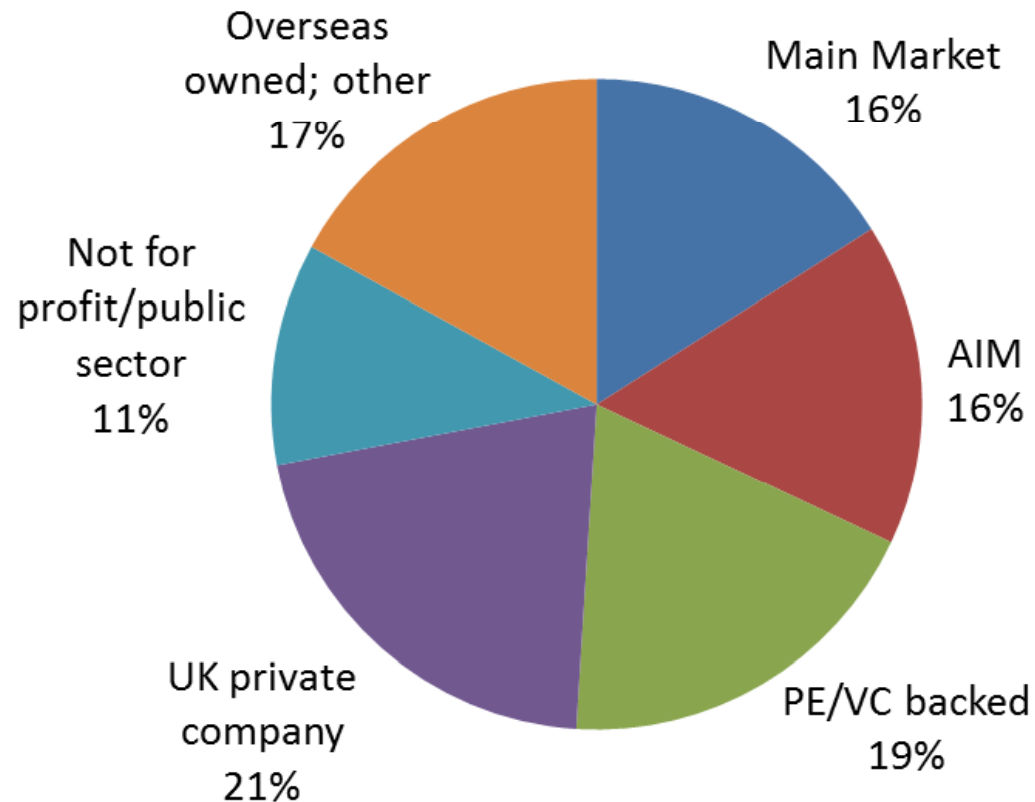
1. About the *Life in the Boardroom* Survey
2. Plans for this year's survey
3. Trends in fees and time commitments

## *Life in the Boardroom*

- ◆ Covers fees, time commitments and directors' views. Information direct from participants
- ◆ Published December 2014
- ◆ Nearly 400 participating directors with almost 1,100 appointments in total
- ◆ Of the 112 chairmen and NEDs in this room, 64 participated
- ◆ Special Oil and Gas supplement (covering 122 appointments)

# Overview of participation

Average market cap £879m



All together more rewarding

## *Strong support for this year's survey*

- ◆ We recently ran some market research
  - 106 responses (up from 83 last year)
  - 96% of last year's participants planning to participate this year
  - Promises to participate from 30 new individuals

## This year's timetable

- ◆ Invitation out by 13 July
- ◆ If we miss you, contact [Jonathan.brigginshaw@mm-k.com](mailto:Jonathan.brigginshaw@mm-k.com)
- ◆ Complete on-line questionnaire end August
- ◆ Survey report 23 November

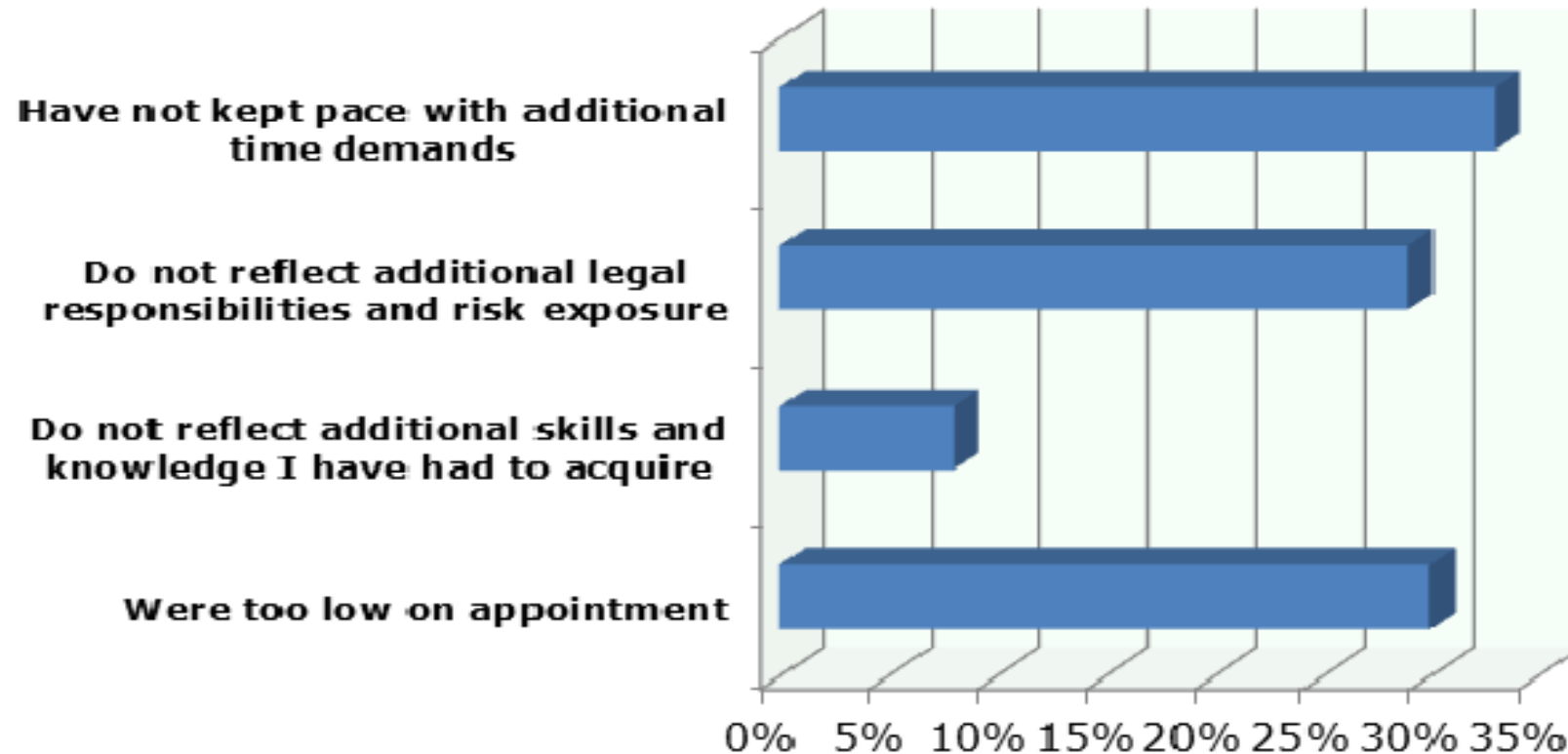


## Trends in fees and time commitments

38% of chairmen and NEDs said their current package is too low.

*“The regulations and responsibilities impacting NEDs are increasing every year - but this is not reflected in the remuneration - it is crazy that a NED on £50k/annum has the same liability as an executive CEO on £500k/annum.”*

## If you consider that your current fees / package are too low, why?



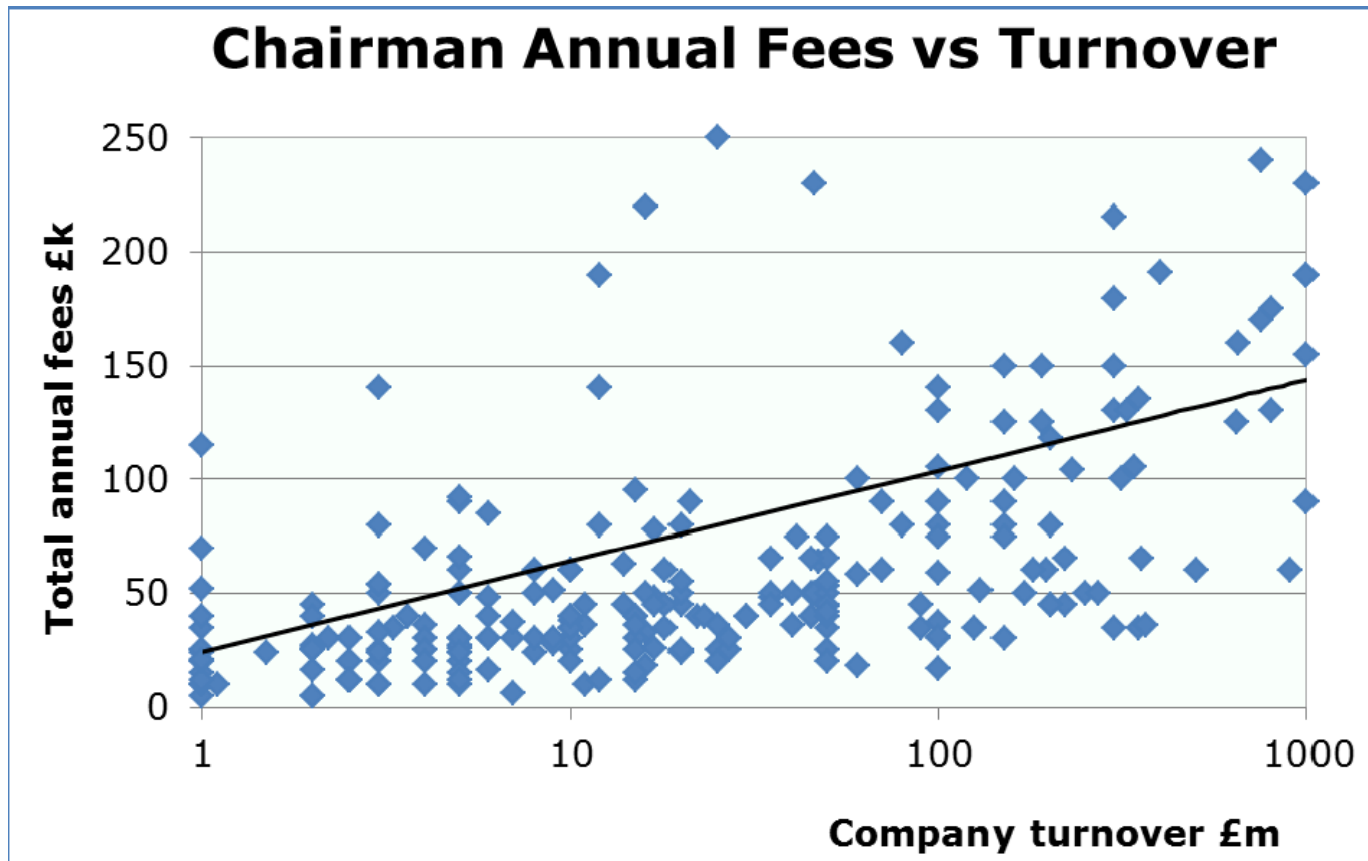
All together more rewarding



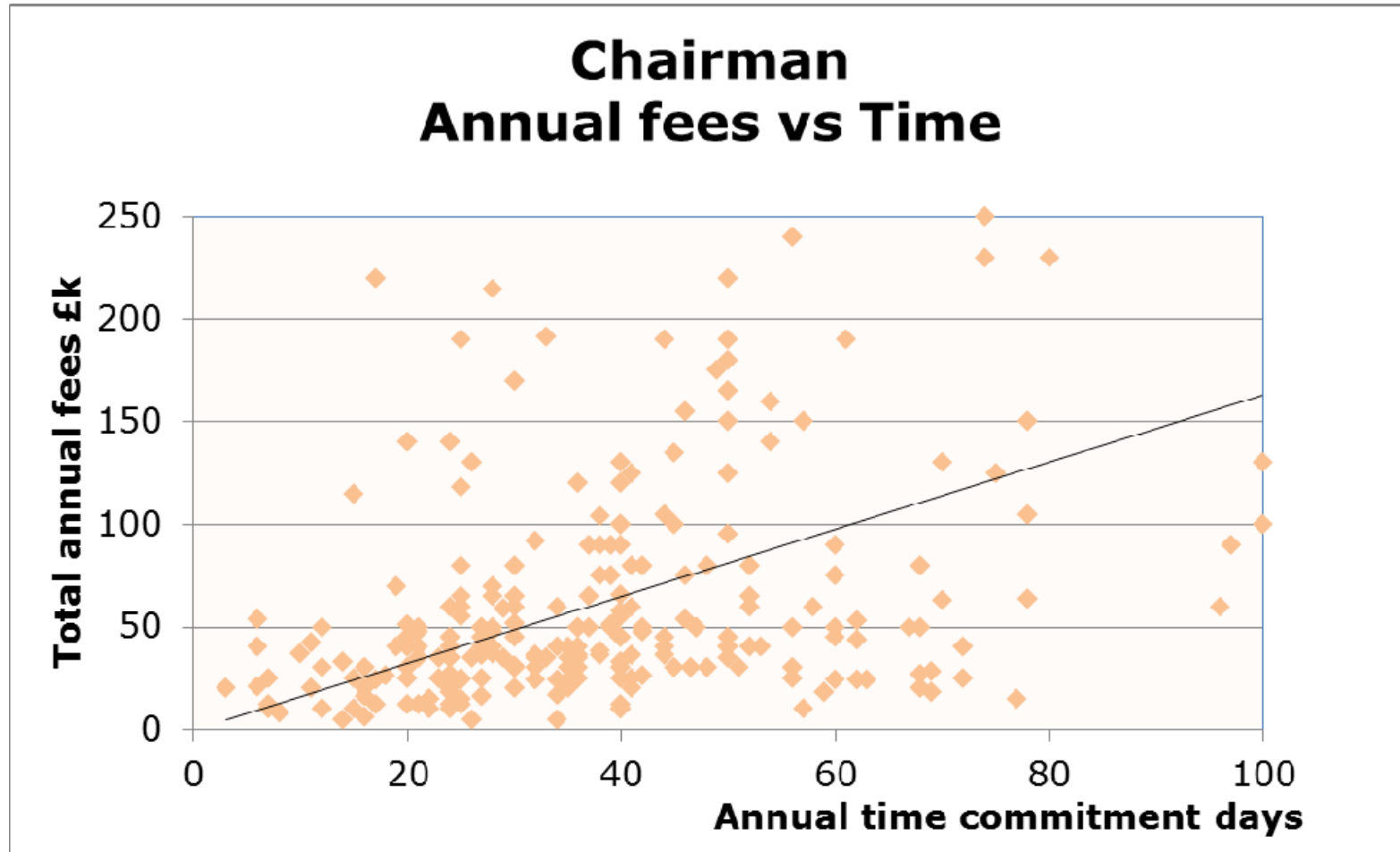
## What's really happening?

All together more rewarding

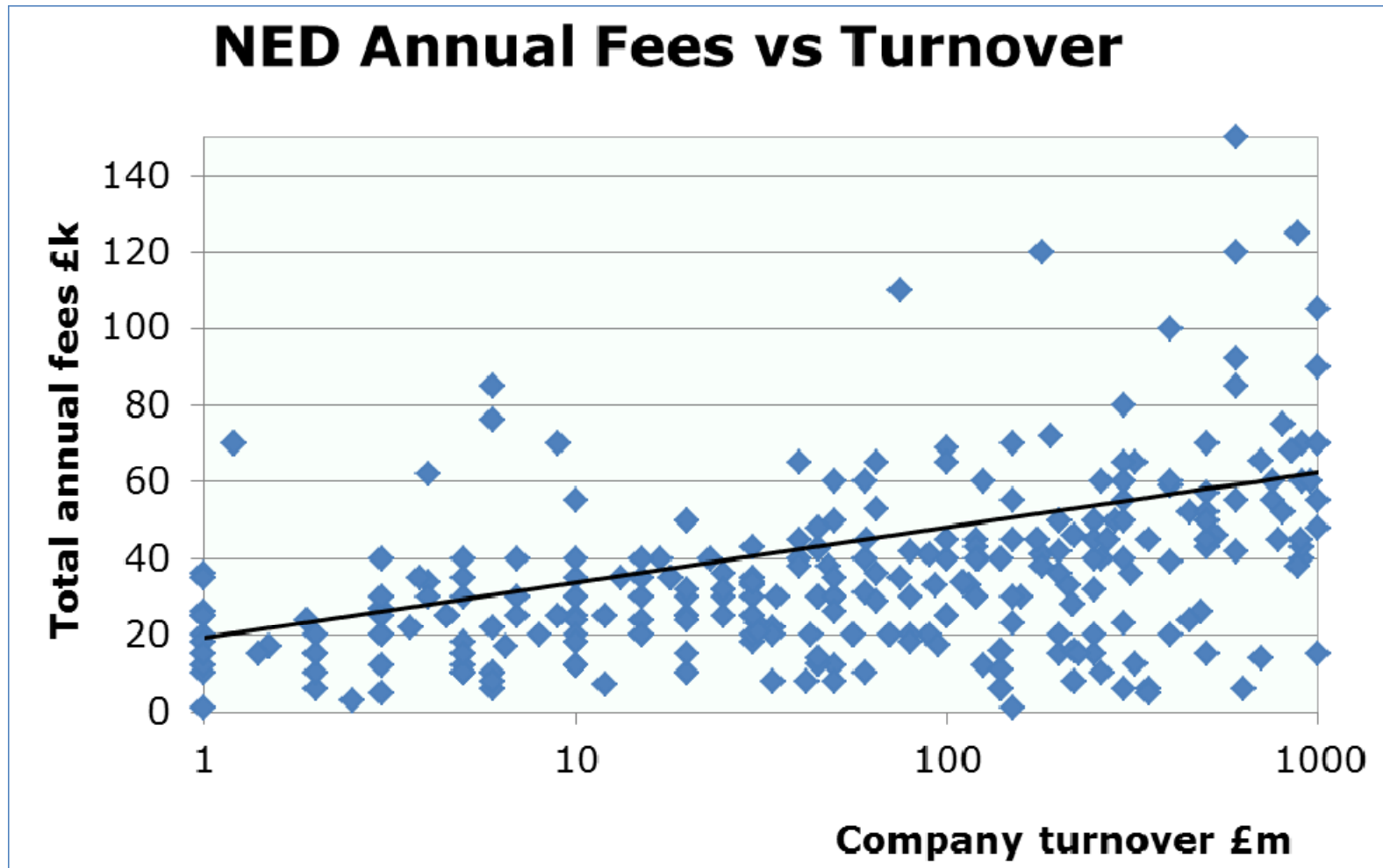
# Very wide spread of chairman fees



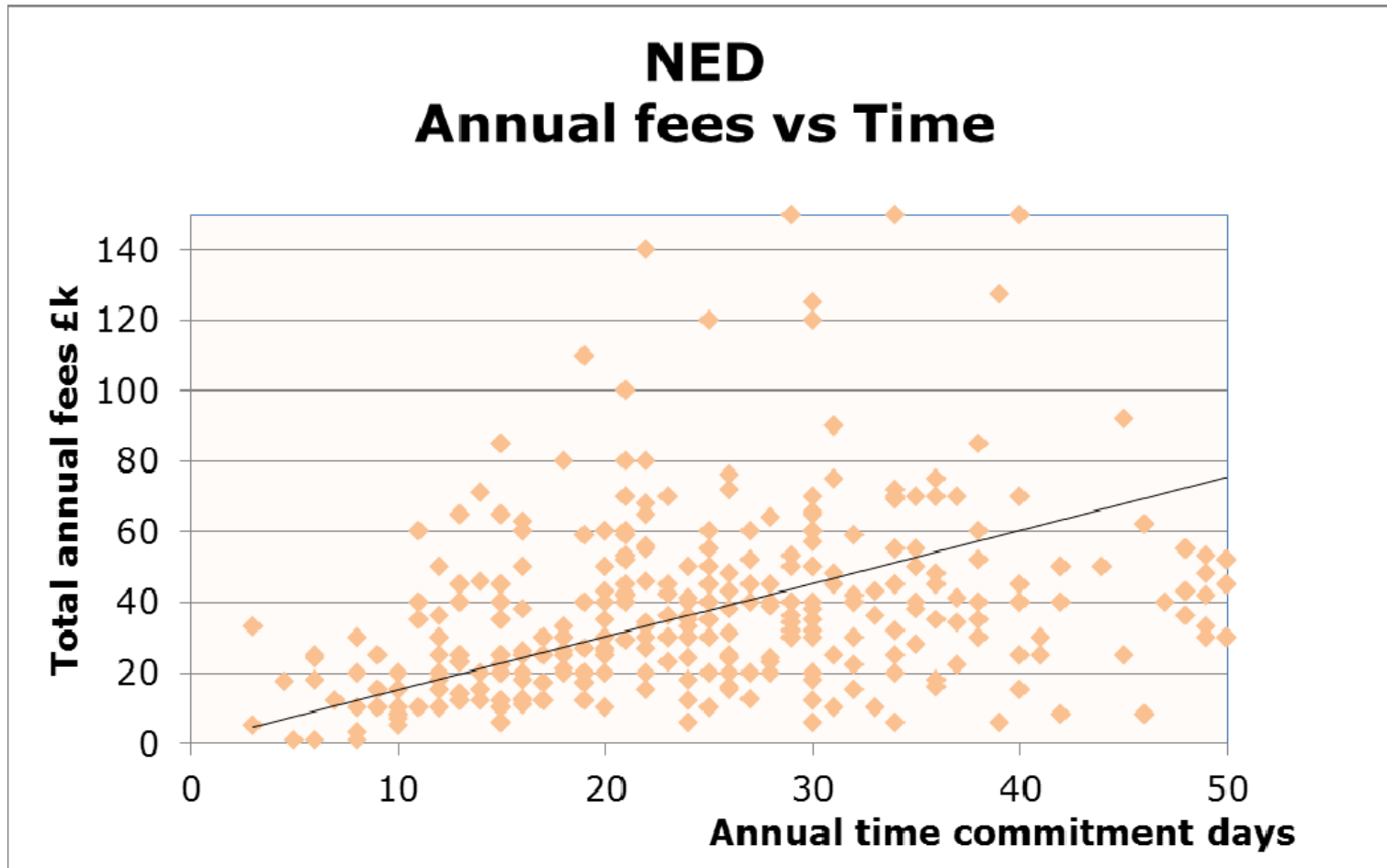
All together more rewarding



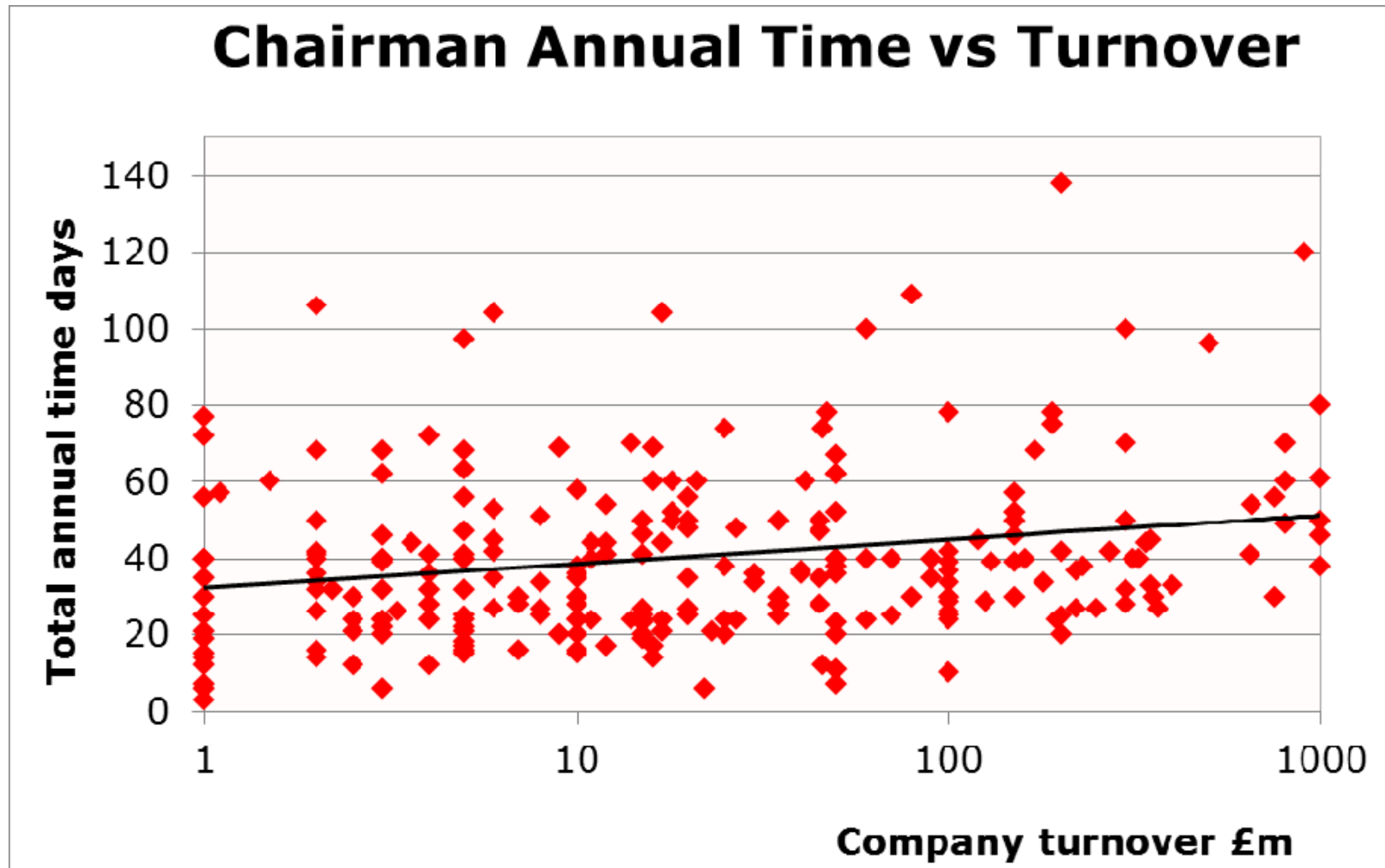
All together more rewarding



All together more rewarding

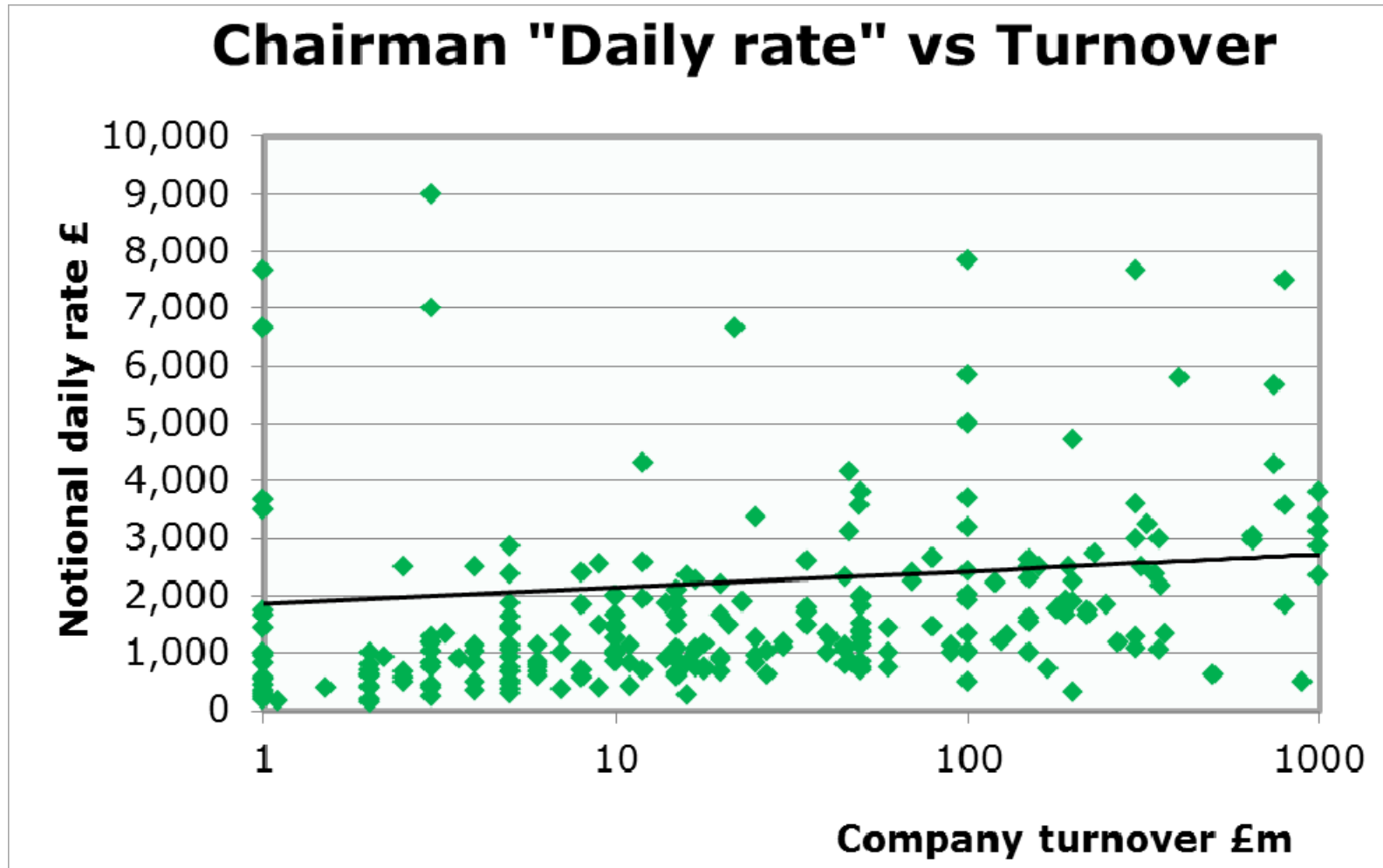


All together more rewarding

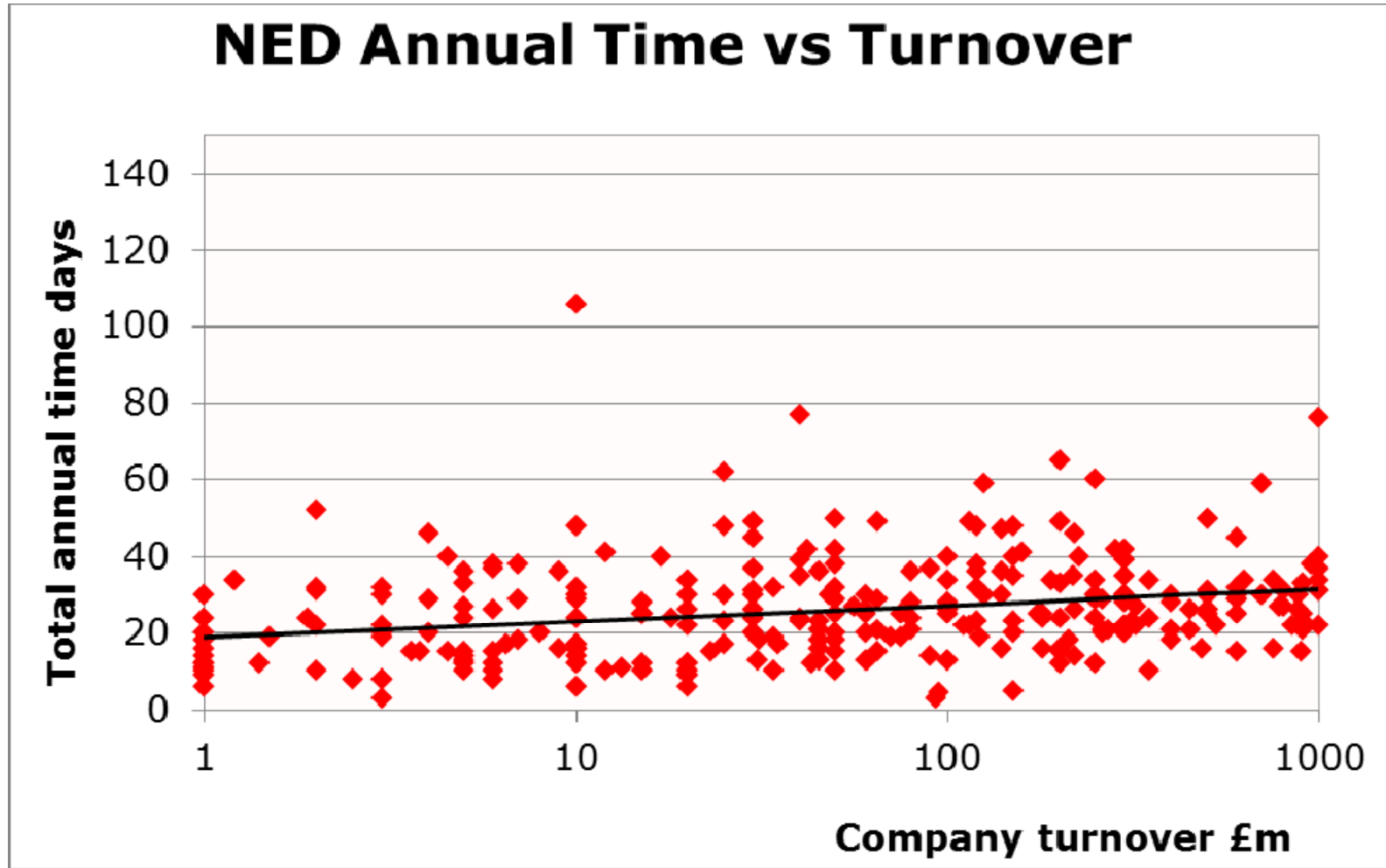


All together more rewarding

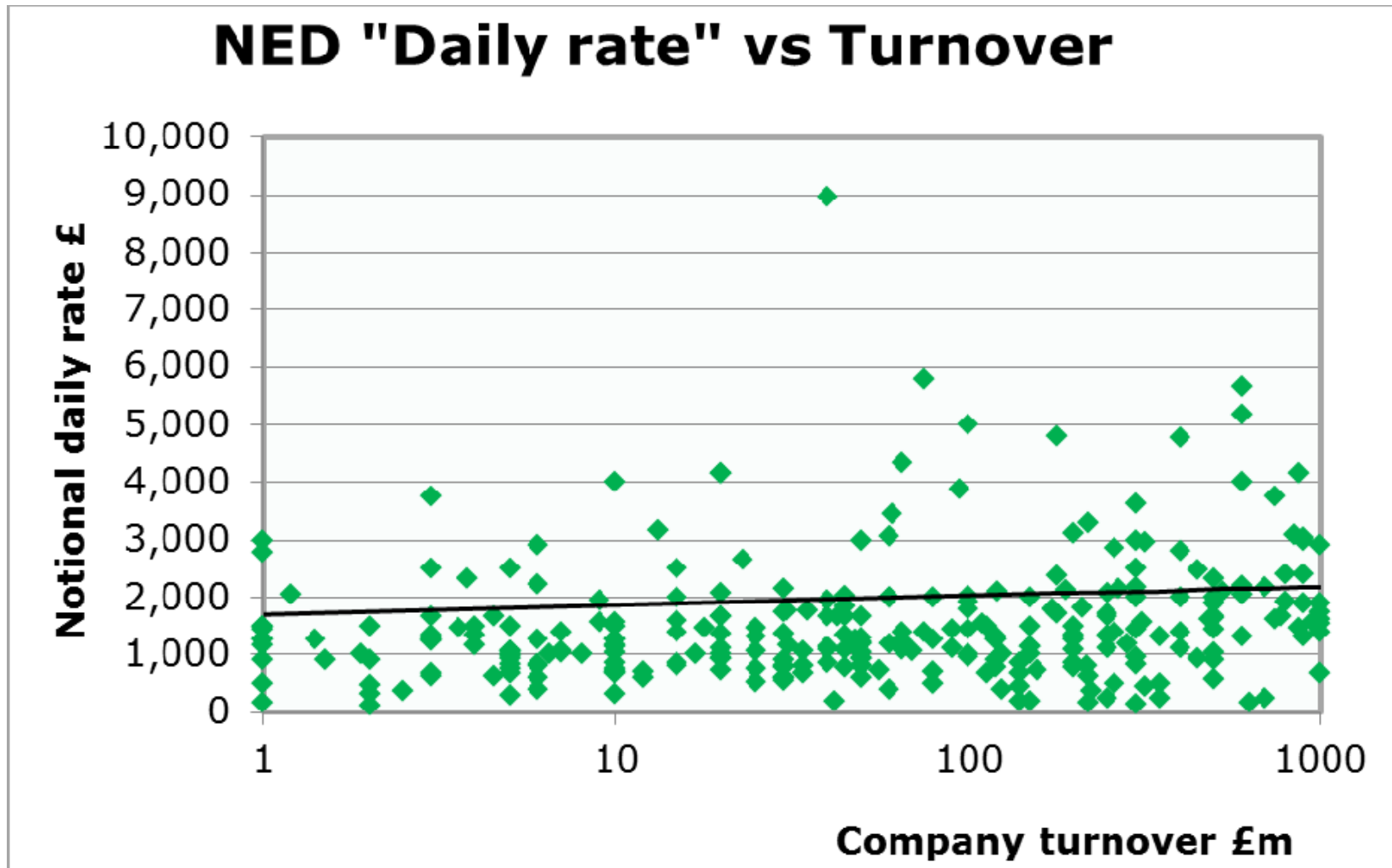




All together more rewarding



All together more rewarding

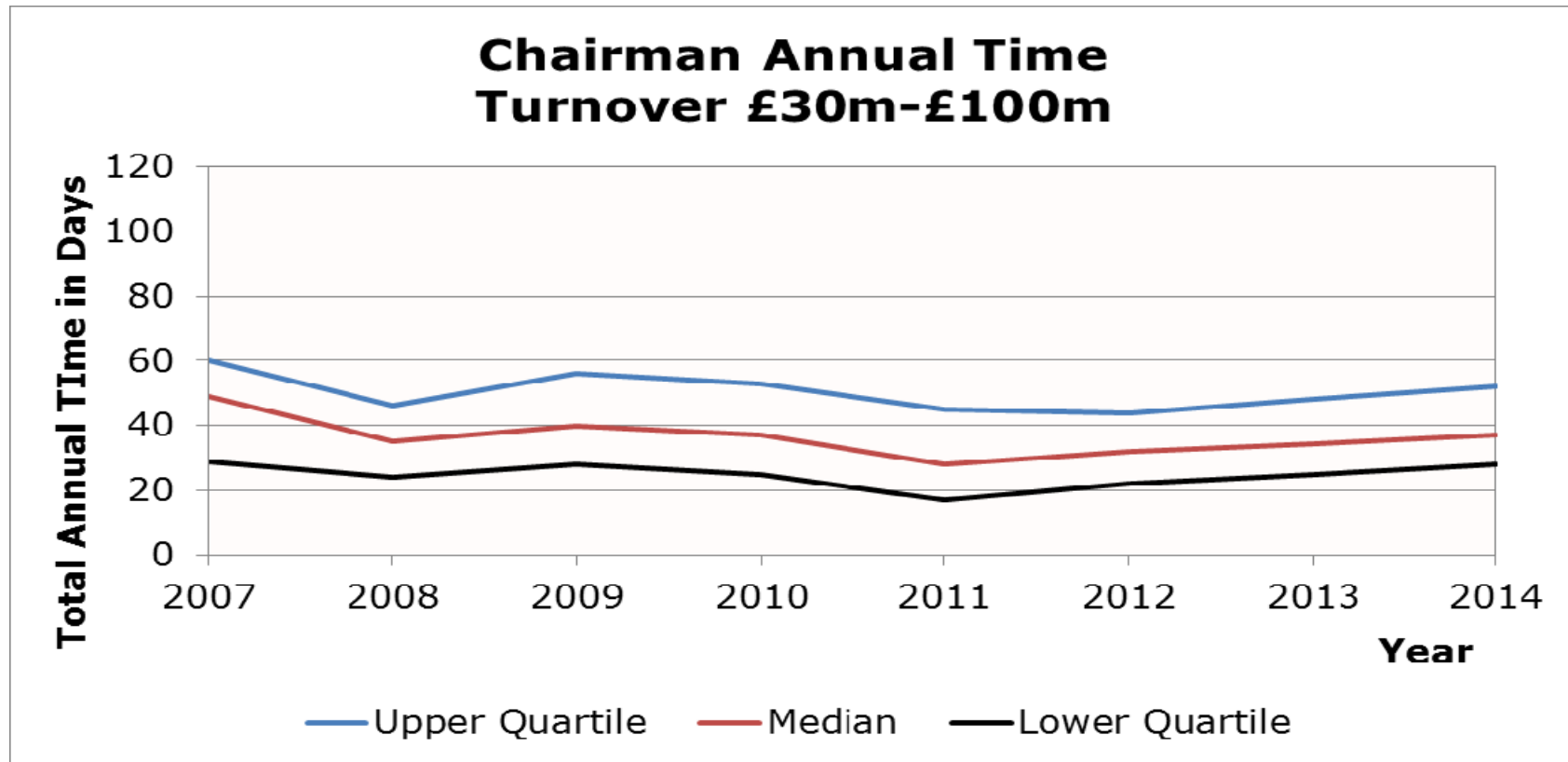


All together more rewarding

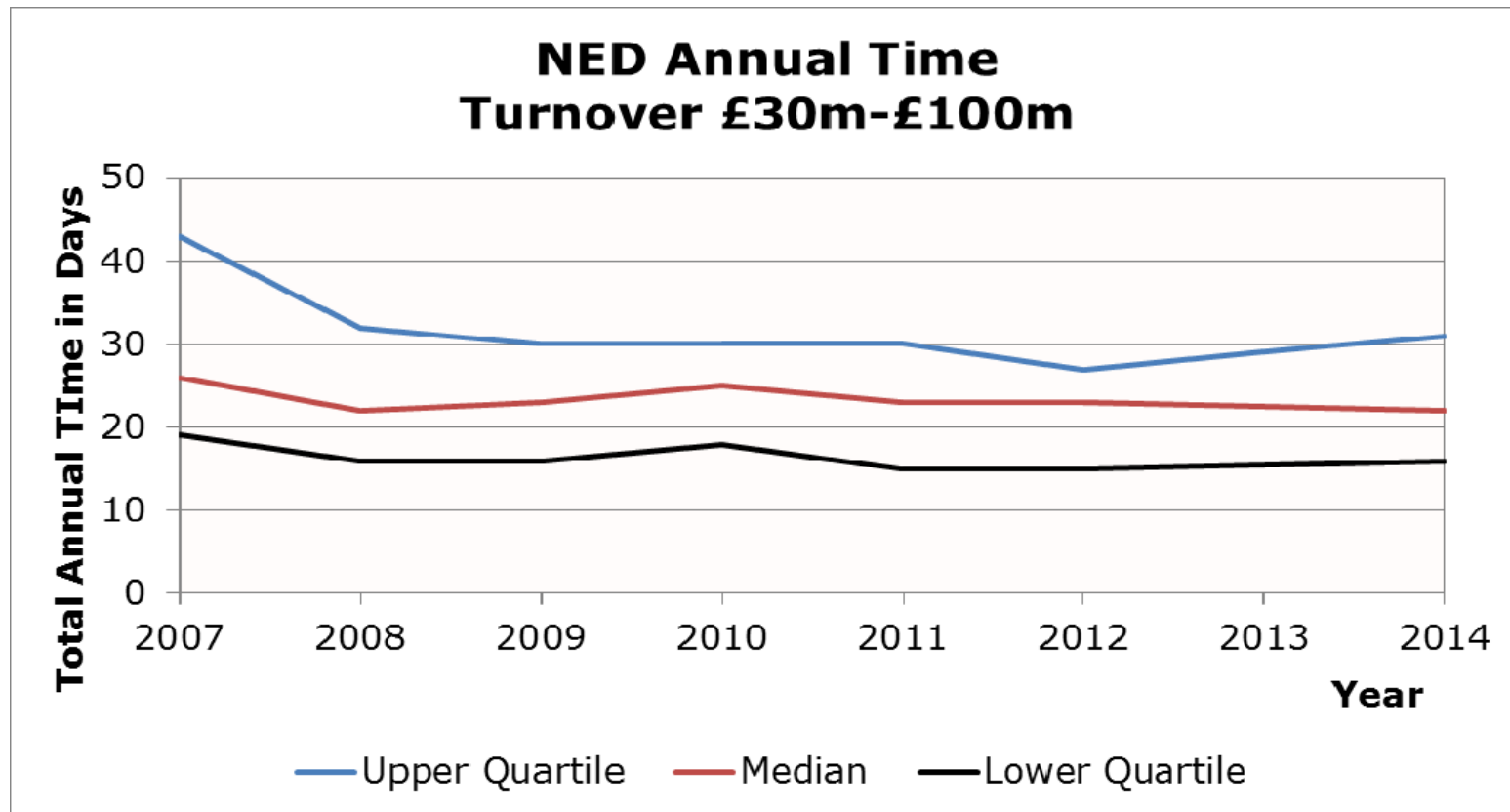


All together more rewarding

# Long-term trend

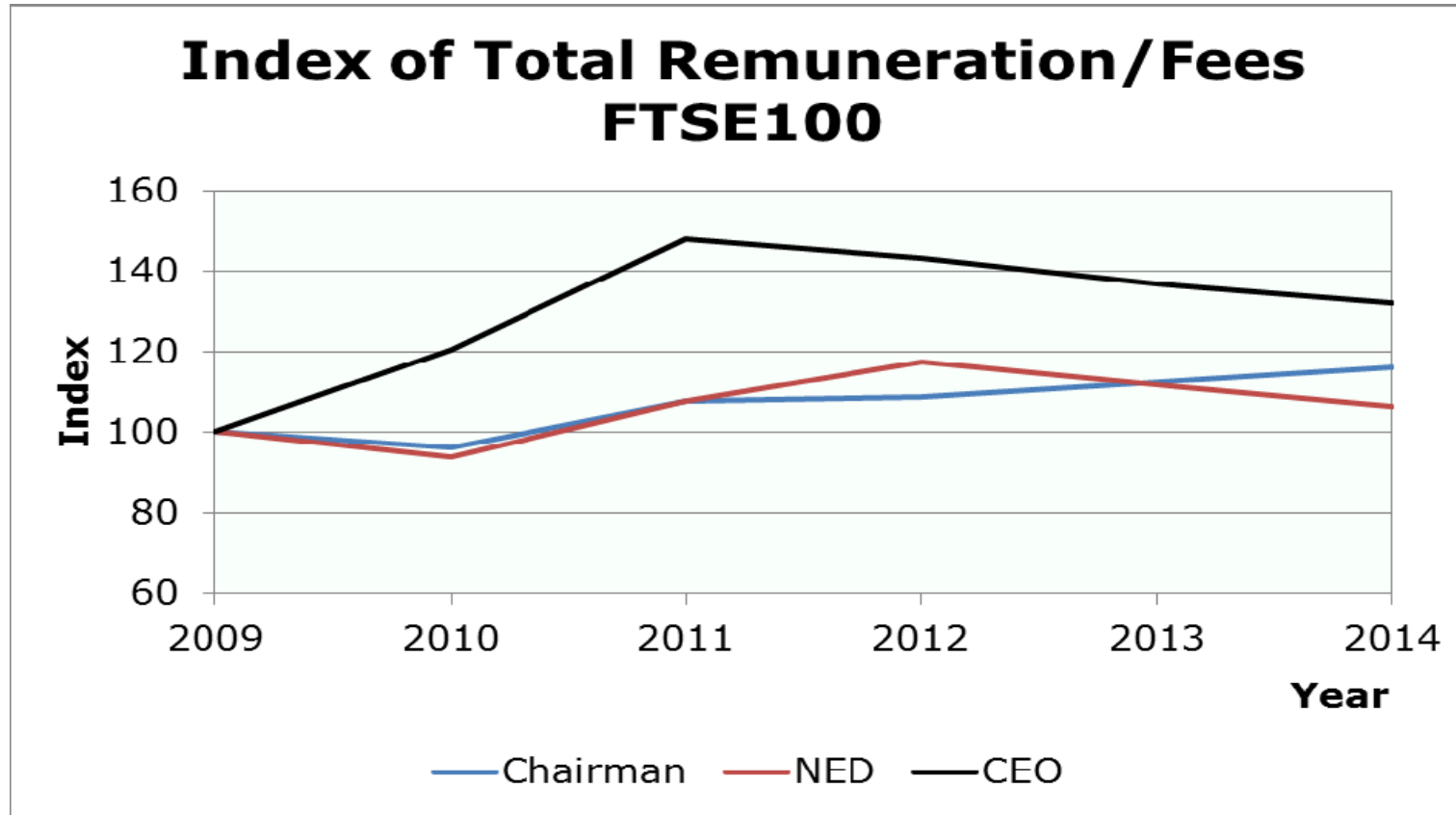


All together more rewarding

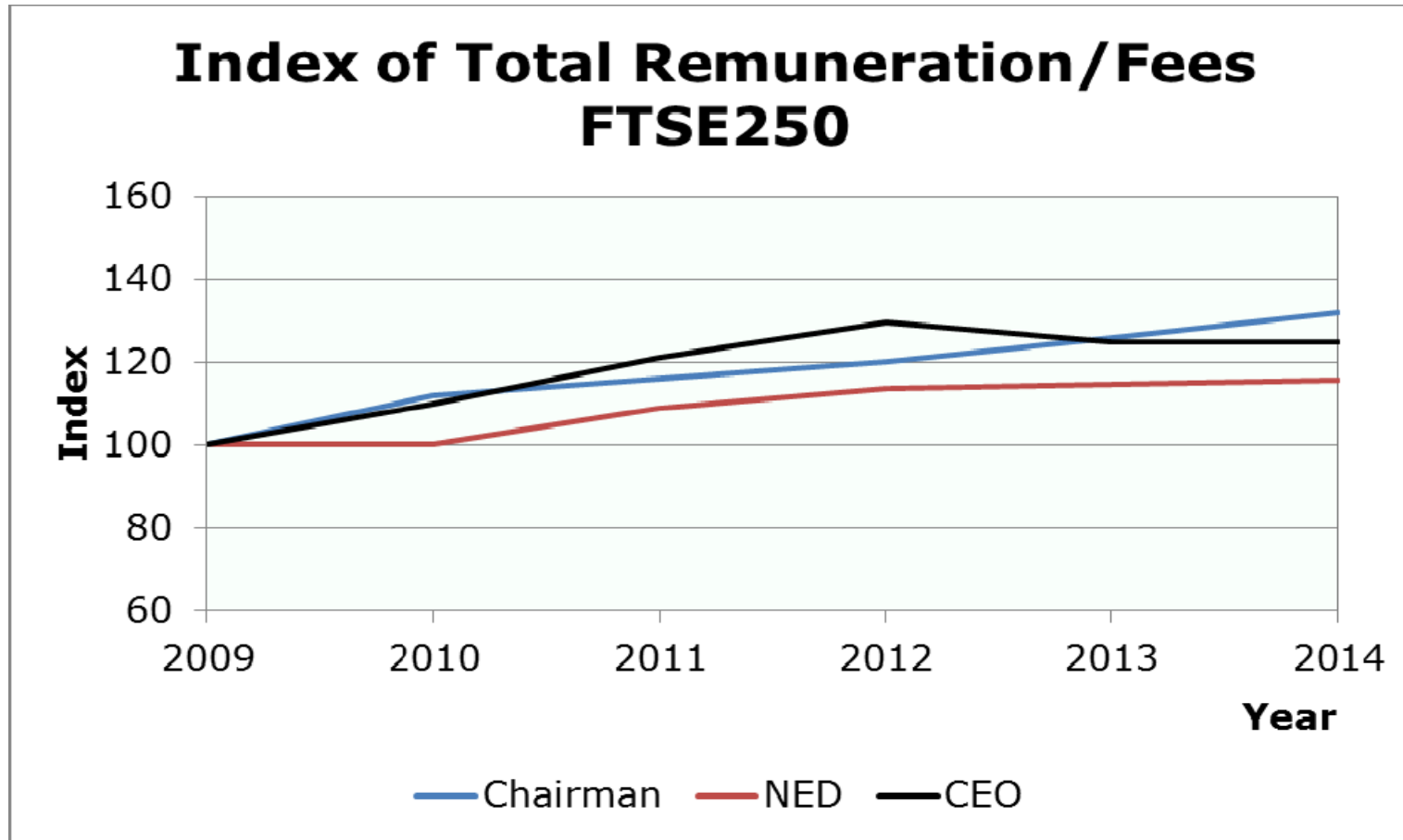


All together more rewarding

# Who's done best?

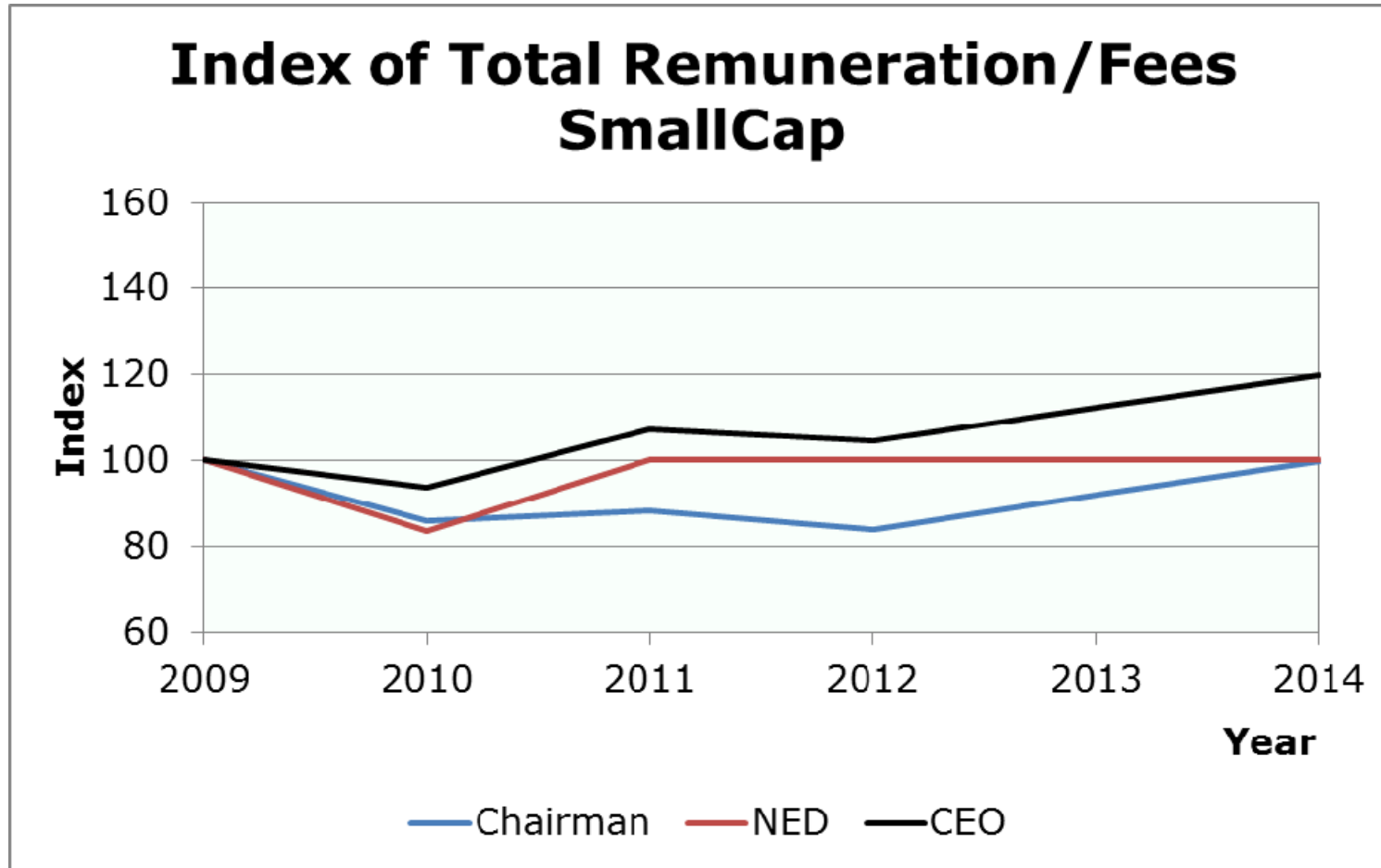


All together more rewarding

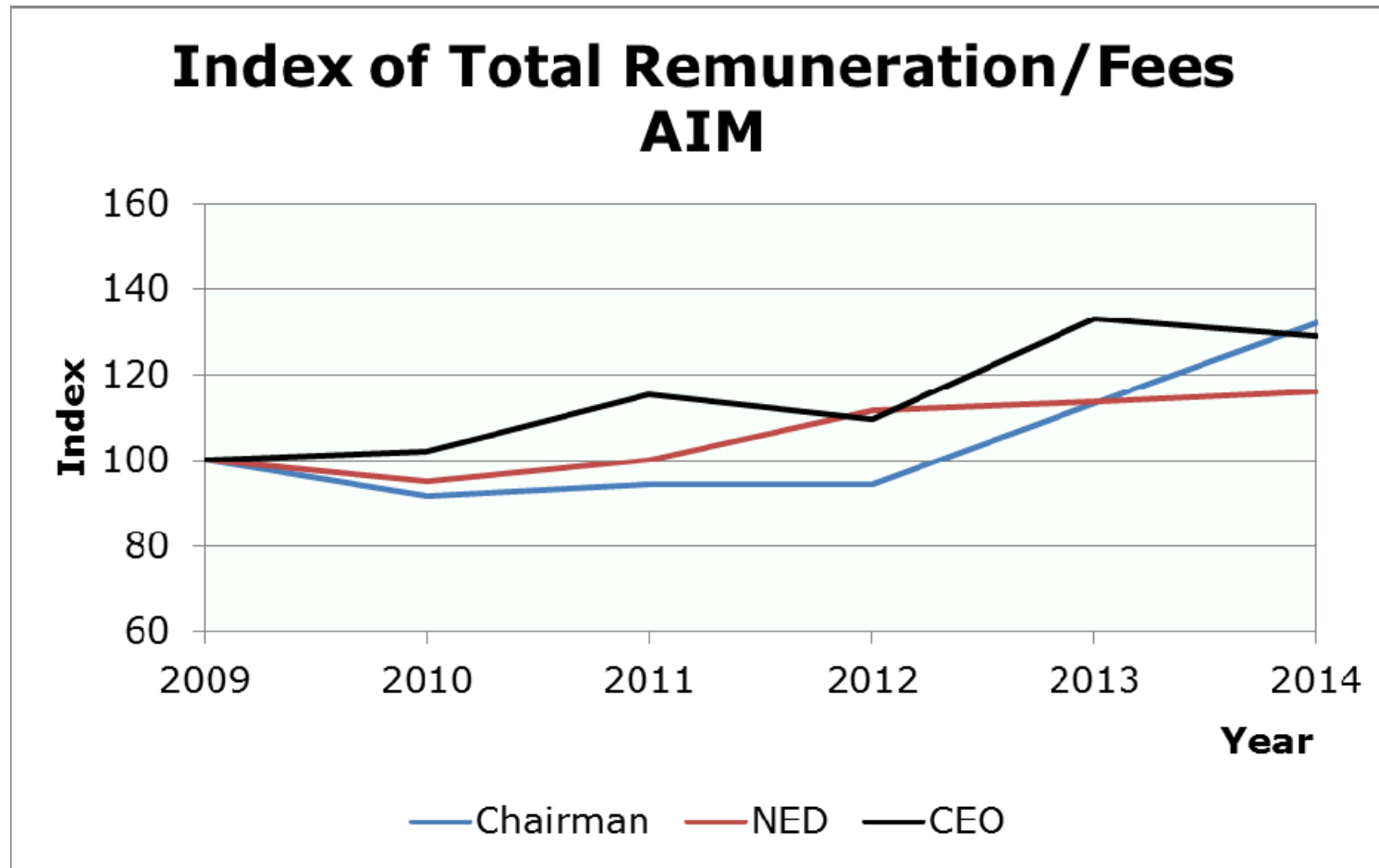


All together more rewarding





All together more rewarding



All together more rewarding

## Conclusions on the “neglect” of NEDs

- ◆ Executives were doing much better up to about 2011 – especially in FTSE 100
- ◆ Executive total remuneration awarded has been tailing off especially in larger companies
- ◆ Chairman fees have steadily improved since 2010 up 15% - 20% (40% in AIM)
- ◆ NED total fees have been flatter.

All together more rewarding

## Conclusions on setting fees

- ◆ There is a weak relationship to size
- ◆ There is a better relationship to time spent
- ◆ Use a combination of size and notional “daily rate” to set a reasonable “market level”
- ◆ High fees seem to go to the best negotiators!

All together more rewarding

# Board dynamics and the role of NEDs

**Brendan Connolly**

## Difficulties of non-executive directors

All together more rewarding

## ***Life in the Boardroom Survey shows:***

- ◆ 209 participants (72%) have had to deal with a difficult chief executive
- ◆ 53% agreed that the right remuneration decisions are not always made, because of chief executive resistance
- ◆ Participants often feel frustration because they do not have the information or time to performance their role as well as they would wish

- ◆ *“It is difficult to find the time to get completely on top of the strategic and business issues facing the company. It is especially difficult to manage timings within meetings to ensure that strategic discussions are in sufficient depth.”*
- ◆ *“There is a greater importance of good flow of relevant information through timely and focussed board papers. This requires the commitment of executive directors to ensure delivery.”*
- ◆ *“NEDs struggle to get all the info they need to do the job.”*
- ◆ *“I am concerned that the information required for key decisions often requires time to contemplate, yet is provided at the time of the board meeting or shortly before, reducing the quality of the discussion and related decisions.”*



## Increasing expectations of NEDs

All together more rewarding

- ◆ *“All boards of companies in regulated industries must now concentrate on regulation and risk to the detriment of strategy and growth.”*
- ◆ *“Regulation is getting increasingly excessive. Institutions and governments interfere so much, they appear to want to do the job for the NEDs (but not take the responsibility). They should make sure the right board is appointed, keep themselves well informed and challenge, but leave the board to do their job!”*
- ◆ *“We have had a huge amount of change in governance requirements and corporate reporting. Let's bed the changes in and allow boards to spend some serious time on the issues the politicians and regulators don't worry about, such as strategy, performance, and succession.”*

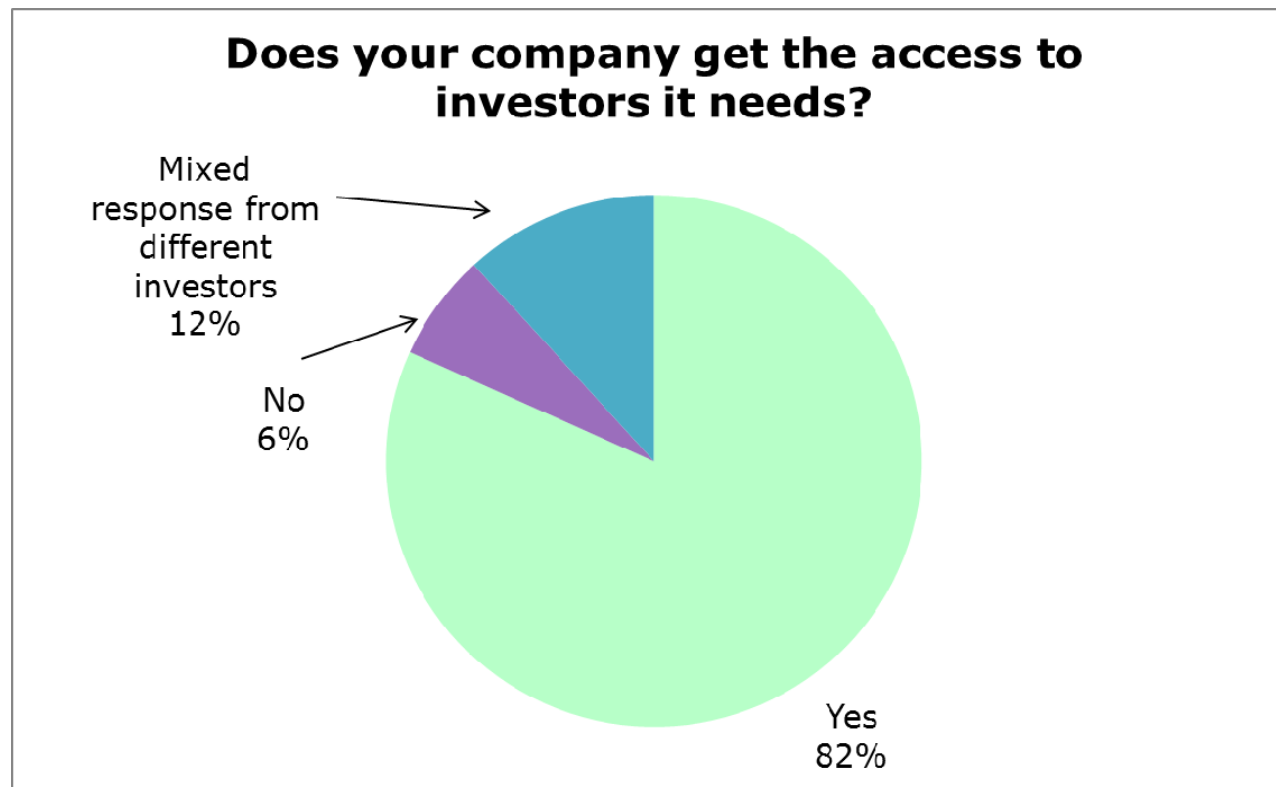


# Improving company-shareholder consultation

**Eugenia Jackson**

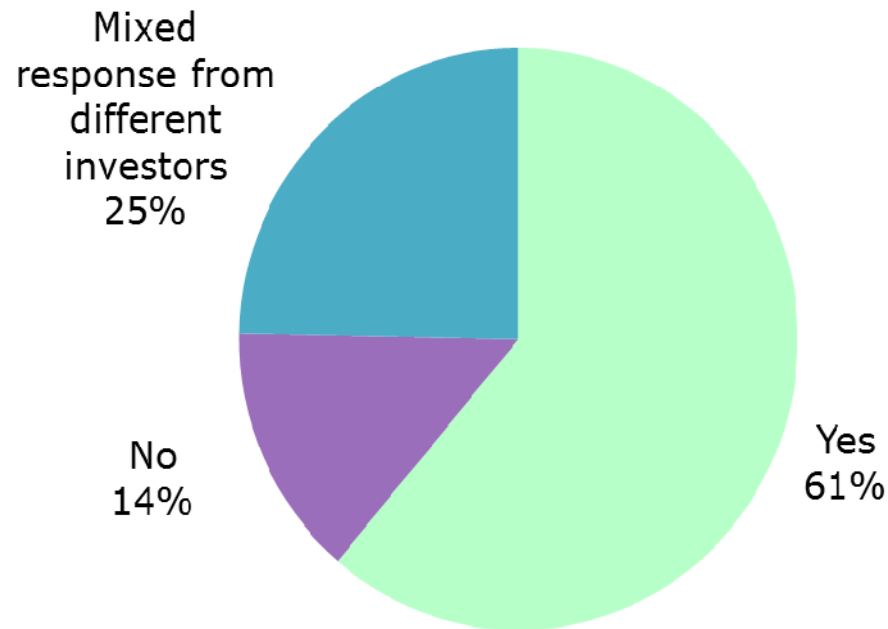
All together more rewarding

## *Life in the Boardroom* findings re consultation – generally positive



All together more rewarding

**Do you get a timely response from institutional investors to proposed policies and disclosure reports?**

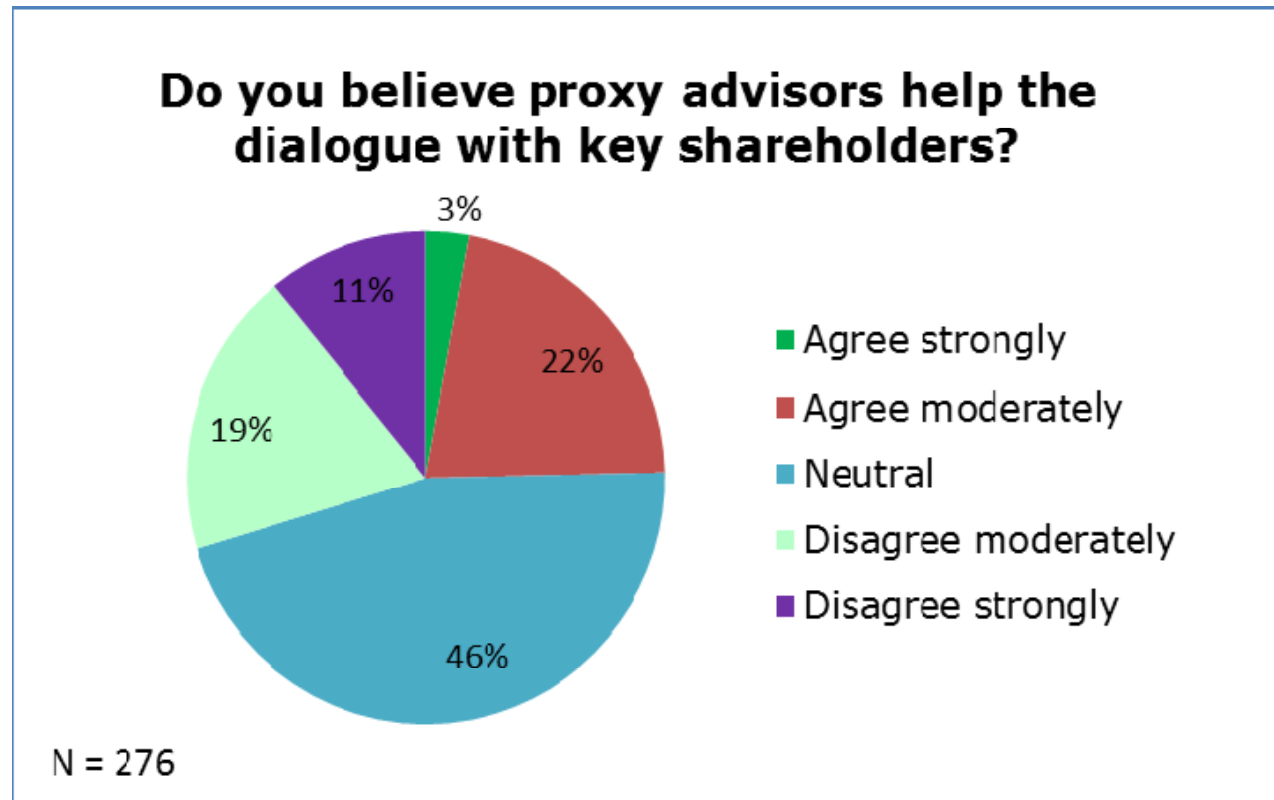


All together more rewarding

## But there is a significant minority who are unhappy

- ◆ *“There are many examples of City institutions/investors not following their own advice to and requirements of businesses in their in-house arrangements. Many shareholders do not carry the resources to conscientiously fulfil the shareholder responsibilities now provided under legislation.”*
- ◆ *“Increasing segregation between investment and governance, compounded by concentrations of influence in governance, is unwelcome.”*

# A third of directors feel that proxy advisors are not helpful



All together more rewarding

- ◆ *“The problem is that these proxy advisors use their own standards that are on occasions different from the Code, so how do we know what rules we should be following?”*
- ◆ *“Time is of the essence. Too often proxy advisor business models allow too little time for investors and companies to discuss areas identified by proxy advisors as ‘issues’.”*
- ◆ *“Since the new remuneration reporting regulations came in, we noticed that more investors were unwilling to engage with us until after the main proxy advisors had published their reports.”*





# Improving company-shareholder consultation

**Eugenia Jackson**

All together more rewarding



## Questions to Panel

All together more rewarding