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18 October 2010

Ms Jane Leavens
Corporate Law & Governance Directorate
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

Dear Jane,

The Future of Narrative Reporting - Response from MM&K

MM & K Limited ("MM&K) is an independent firm of strategic pay and reward consultants. We have limited our responses to those aspects of narrative reporting that link to remuneration.

We think the Directors Remuneration Report Regulations are not working. Remuneration Reports are hopelessly complex. It is difficult to see the wood from the trees.

1. Proposed changes for CEO pay disclosure

We propose changes to the reporting of remuneration so that the amounts paid to the CEO in each of the past five years are clearly displayed alongside a table or graph of total shareholder return (TSR) and other key performance indicators.

CEO pay should be aligned with performance. The narrative reporting should describe in both words and numbers how the company has performed. It should also give an indication of how well the company is positioned for the future and the potential risks.

We think our proposed focus on the CEO is right because:

i. Most parties interested in remuneration focus most of their time and attention on the CEO.
ii. If the CEO's pay level and make up is satisfactory, it is less likely that others in the company will be paid too much or incentivised in the wrong way. (E.g. the drivers of incentive pay might nonetheless encourage behaviour which is inconsistent with the business plan even if amounts of pay appear "satisfactory".)
iii. It will make remuneration reports much easier to understand, and make them clearer to interested parties. We provide a 1 page example of how a CEO's pay could be reported, which we think is clear, transparent and readily understandable by shareholders.

It should be noted that:

i. The relationship between pay and TSR is long term. One needs to take care because MM&K and others (including many of our clients) advocate that TSR is not a good (short term) measure of managements' performance and should not be the sole determinant of incentive pay. Clearly, a company's share price should ultimately reflect both good and bad performance but there is a lag. An annual comparison of pay and TSR is potentially dangerous/misleading, but long term trend information

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would be useful. Shareholders should not be overly influenced by an annual comparison, but should focus on the long term as required by the new UK Corporate Governance Code, by the regulators and other policy makers in the context of executive pay.

ii. Share prices are driven by many factors. In the list below, only the last two are under the control of management, e.g.
   a. Interest rates
   b. General economic activity and growth forecasts
   c. Market sentiment
   d. Sector sentiment
   e. Market view of management capability and future strategy
   f. Achievement of operational goals and whether management generates sustainable competitive advantage.

iii. As a result share price can often be out of alignment with the underlying performance of the company, often for substantial periods of time.

iv. We have observed a strong link over the long term of TSR and operational financial performance metrics when measured in comparison to comparator (peer) companies. Our associate company Obermatt has undertaken much research into this area (see www.obermatt.com). The Obermatt Bonus Index is used by shareholder proxy advisories such as Manifest (U.K.), DSW (Germany) and Ethos (Switzerland), because it is a benchmark that rewards operating performance only. This is key part of what shareholders want and what executives are able to influence. Thus, it is fairer for both executives and shareholders and therefore acceptable to both. The complete FTSE 100 Bonus Index 2009 has been published in Financial News (by Wall Street Journal).

v. Listed companies' annual reports contain a risk section identifying the risks facing the business. We are suggesting there should be a description of the way in which executive pay policy takes account of risk. This is an FSA Remuneration Code requirement but should in our view apply to all listed companies.

2. Proposed table of KPIs and CEO pay disclosure

It is useful to understand how CEO pay is measured. It includes five components: salary, bonus/cash incentive pay, equity-based pay, pension and other benefits. It is usually measured in two ways. The first is the sum of salary, bonus, pension, benefits and the expected value of share options and restricted shares. We call this expected pay. Expected pay measures what boards believe they awarded the CEO. This is the best measure of what a CEO is paid each year. Note that the CEO does not actually walk away with this money. The second measure replaces expected restricted shares/stock option values with values actually realised. We call this realised pay and it measures what CEOs walk away with each year.

Some pay is awarded in one year, but may not be received until many years later. Companies make awards of restricted shares (which may include shares with attached performance conditions, often referred to as LTIPs in the UK, and deferred bonuses in the form of shares, cash or other instruments) in, or in respect of, a particular year. These awards "vest" at some time in the future and may be contingent on performance criteria over a "performance period" (ordinarily of not less than three years but there is pressure for longer performance periods).

Therefore shareholders should be able to see the data for the performance criteria and other KPIs over the performance period alongside the CEO pay.

We advocate a table along these lines:

	2006	2007	2008	2009	2010
CEO Pay - Total expected value of awards					
CEO Pay - Total received					
Total Shareholder Return – absolute value					
Total Shareholder Return – relative to an index eg FTSE 100, 250, All Share etc and/or comparator index or group of companies					
Share price growth (as the make up of TSR is useful to see)					
Dividends – yield as % share price					
Market Capitalisation (Note: we suggest this is included as well as TSR and share price. It is not quite the same as share price as, by issuing new shares, a company might increase market cap but reduce the price per share. Pay is correlated to size of company so this is an important piece of background)					
Net Debt					
Enterprise Value					
Turnover					
Profit (EBITDA)					
Profit margin					
Profit growth / Turnover relative to peers (eg as in the Obermatt Bonus Index (see www.obermatt.com for further explanation)					
Cash flow					
ROCE					
WACC					
Debt/ EBITDA					
EPS					
P/E ratio (share price/ EPS)					
Other KPIs E.g. ARPU (average revenue per user), key strategic goals, Customer satisfaction, staff effectiveness, Health and Safety, CSR measures					
CEO Salary					
CEO Bonus					
CEO shares and options – expected value of awards made in the year					
CEO share awards and options realised – total of gains from options exercised in the year and restricted shares that vested in the year					
Pension – transfer value of increase in accrued benefits					
Benefits – taxable value of benefits received					
Average Remuneration of employees					
Ratio of CEO (expected/realised) pay to average employee					

It is also important that shareholders can see the future potential payments to the CEO under a range of scenarios. Appendix 1 shows how this can be done quite simply.

If the above approach were adopted, we would favour significantly reduced remuneration reporting in the annual report, with most of the information currently in the remuneration report being merely reported on the company website. This would reduce much of the clutter in the annual report and make it clearer and easier to read. Shareholders wishing to go into the detail of remuneration could access this via the company website. Hence no transparency is lost.

Currently there is too much data in annual reports and not enough information. The distinction between data and information is important. Our suggestions improve the information flow to shareholders.

3. Comment re narrative reporting and ABI/NAPF guidelines and rules

The ABI and NAPF claim to be representative of shareholders. It is no longer the case that their members own the majority of shares in many companies. They are trade associations often seeking publicity to justify themselves and to help attract new members.

The ABI and NABF guidelines also suffer from problems of short-term-ism and encourage dysfunctional higher volatility. They are also very long and detailed. It is possible that some remuneration consultants may have colluded with these representatives of institutional investors to create a cottage industry which is not in the best interest of long-term shareholders. IVIS is the "for profit" subsidiary of the ABI. Risk Metrics is a "for profit" organisation who assess whether the NAPF guidelines are being followed. It is in the interests of both to generate more complexity through more detailed and complex rules/guidelines. Public rows on pay help them establish their profile.

There is a strong argument that the ABI and NAPF guidelines are no longer necessary – that they were useful but are now too complex. (Schedule A of the UK Corporate Governance Code is sufficient guidance, when combined with our proposals on CEO pay disclosure.) Changes to narrative reporting should consider this context and should avoid further fuelling the current sterile processes.

4. Fees paid to remuneration consultants should be disclosed

In our view, the level of fees paid to some large remuneration consultants may result in a conflict of interest. Publishing the fees paid for remuneration committee advice and separately for other services to the company (in a similar way that audit fees are disclosed) will improve the transparency.

Chairmen and Non-Executive Directors are very strongly in favour of this proposal - 63% agree that fees for remuneration consultants be disclosed in annual reports. Only 11% disagree. The source of this data is the MM&K 2010 Chairman and Non-Executive Director Survey. 442 directors - 290 chairmen and 152 non-executive directors - contributed to the survey.

5. Cost Benefit analysis

Our proposals, combined with the new FSA remuneration code and the FRC new UK Corporate Governance Code, would not have allowed the cultures to occur in large banks which led to reckless lending, huge destruction of shareholder value and brought us to the abyss of financial collapse. One can argue that the current remuneration disclosures had a cost that was a significant proportion of the $2 trillion of shareholder value destroyed in the financial meltdown.

The cost benefit of improved remuneration disclosure is clear.

Detailed answers to your consultation questions are attached. We have only responded in relation to remuneration matters, upon which we regards ourselves as experts.

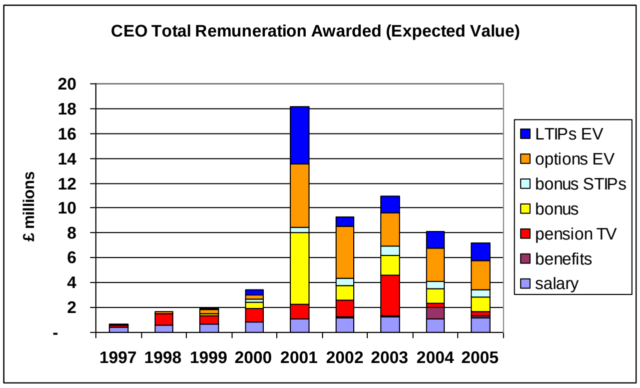
Yours sincerely,

Cliff Weight
Director

Attachments
Appendix 1 Example of 1 page summary of CEO pay
Appendix 2 Consultation response form
Appendix 3 About MM&K

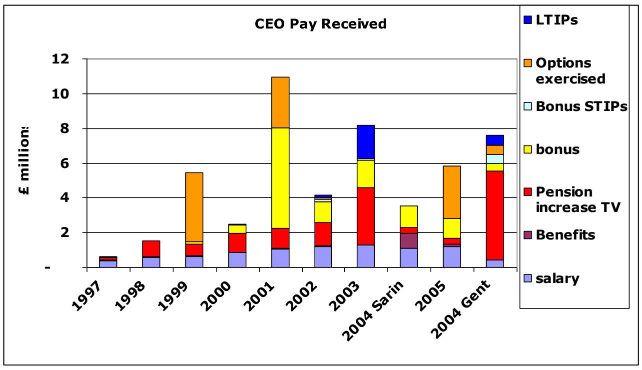
Appendix 1 - Chief Executive Pay Simplified ("clear, transparent and readily understandable") - An example using Vodafone data up to 31st March 2005.

The estimated value of awards made by the remuneration committee in each year since 1997:

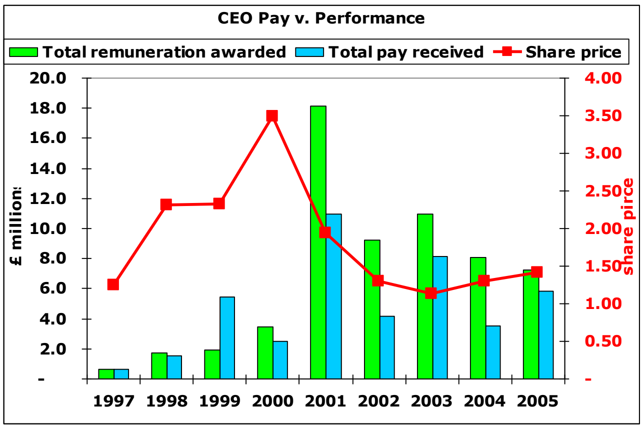


Notes: Arun Sarun appointed as chief executive in 2004. Sir Christopher Gent was chief executive prior to 2004. Mannesmann acquisition in 2001.

The actual amount of hard cash received, plus gains on options exercised and performance shares and STIPs vesting in the year, plus the increase in the transfer value of accrued pension/DC contributions.

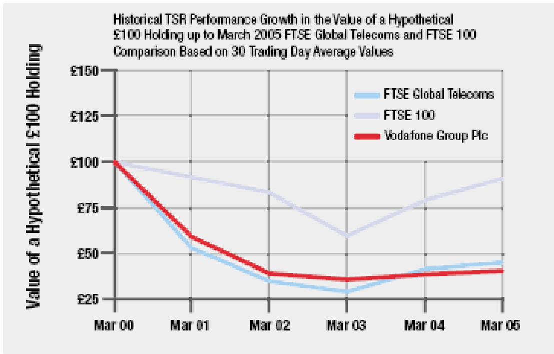


The link of pay awarded and realised to performance is shown in the next two graphs.

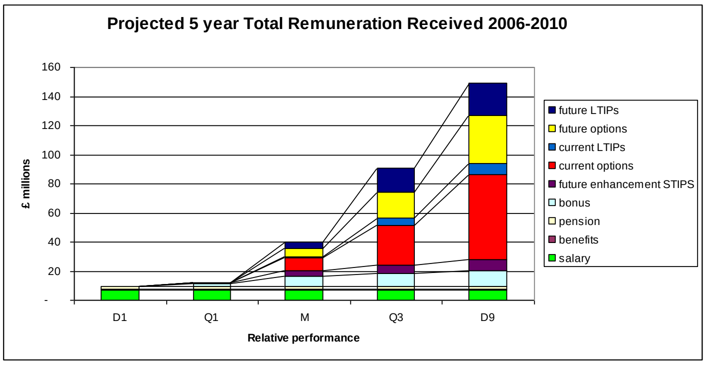


[Companies may wish to include a history of other relevant measures here]

Performance Perspective



Future Potential earnings in next 5 years:



Assumes salary increases at 5% p.a., bonus payout at max for D9, 50% of target at median and nil at D1, standard assumptions re share price growth, TSR and vesting of performance conditions.

Wealth Accumulated to date (£ million)

Pension TV of accrued benefit	0.7
Shares owned	8.2
Options - unexercised gains	3.1
Subtotal	**12.0**
performance shares unvested (max)	5.4
STIPs unvested (max)	1.4
"Total" (max)	**18.8**

Performance shares and STIPs are unlikely to pay out at the maximum. However, the remuneration report [may] give a projection of the estimated payout on the basis of performance to date.

Appendix 2

Consultation response form: The Future of Narrative Reporting

A copy of the consultation available at: http://www.bis.gov.uk/consultations.

Responses to the Consultation by be received by 19 October 2010

Name: Cliff Weight,

Organisation (if applicable): MM & K Limited

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Email: cliff.weight@mm-k.com

Return completed forms to:
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Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

Tel: 020 7215 1686
Narrativereporting@bis.gsi.gov.uk

Please tick the box from the following list of options that best describes you:

	Quoted company
	Other company
	Investor or investment manager
	Business representative organisation
	Investor representative organisation
	Non governmental organisation (NGO)
	Trade Union
	Lawyer or accountant
YES	**Other (e.g. consultant or private individual)**

MM&K is an independent firm of strategic pay and reward consultants owned by its employees and directors.

Value of narrative reporting

<u>Question 1</u>: Are company directors providing useful and relevant information on the company's:

i) forward-looking strategy and

ii) principal risks and opportunities?

Comments
MM&K have no comment to make on this question, as we feel that others are better qualified to respond to this question.

<u>Question 2:</u> What are the constraints on companies providing information on these issues?

Comments
MM&K have no comment to make on this question, as we feel that others are better qualified to respond to this question.

<u>Question 3:</u> Does the information provided reflect the issues discussed by the directors in board meetings?

Comments
MM&K have no comment to make on this question, as we feel that others are better qualified to respond to this question.

<u>Question 4</u>: Does the information help shareholders to press directors on key issues relating to strategy and risk, or inform their business decisions?

Comments
MM&K have no comment to make on this question, as we feel that others are better qualified to respond to this question.

<u>Question 5</u>: If a company does not provide sufficient or material information to you, do you challenge it? Is there anything which could help you to do so?

Comments

MM&K have no comment to make on this question, as we feel that others are better qualified to respond to this question.

Question 6: What other sources of company information do you use and how valuable are they (e.g. information provided on the website, analysts' briefings, dialogue with the company, corporate social responsibility report)?

Comments
MM&K have no comment to make on this question, as we feel that others are better qualified to respond to this question.

Question 7: Is there scope to reduce or simplify the requirements on which companies report?

Comments
MM&K have no comment to make on this question, as we feel that others are better qualified to respond to this question.

Question 8: Is there scope to arrange the information in a more useful way?

Comments
MM&K have no comment to make on this question, as we feel that others are better qualified to respond to this question.

Business Review

Question 9: Looking at an Operating & Financial Review and the existing business review (see Annex D), do you see value in reinstating elements of an OFR and if so what would they be? In particular, would a statutory reporting standard help to improve the quality of reporting?

Comments
MM&K have no comment to make on this question, as we feel that others are better qualified to respond to this question.

Question 10: The business review provisions require quoted companies to report, to the extent necessary, on:

- **main trends and factors likely to affect the future development, performance and position of the company's business**
- **information on environmental matters**
- **information on employees**
- **information on social and community matters**
- **persons with whom the company has essential contractual and other relationships**

  i) is this information useful to you? How do you use it?
  ii) Could disclosure be improved? If so, how?
  iii) Are there key issues which are missing? If so, please explain?

Comments
MM&K have no comment to make on this question, as we feel that others are better qualified to respond to this question.

Question 11: Would more guidance be helpful? If so, what form should this take? For example, best practice example, sample Key Performance Indicators, etc?

Comments
We would be wary of citing any example as best practice, as Key Performance Indicators are different by industry and within each industry may be different for different companies within the same industry. Tesco's disclosure of its KPIs is a good example (for a retailer). Some examples of good practice might be helpful. However, we would be wary of any lengthy regulations or requirements which might lead to boilerplate disclosure. You should beware of the "law of unintended consequences".

Question 12: Should there be a shareholder's advisory vote on the Business Review?

Comments
No. If shareholders do not like a company's business review they can write to the company to say so. They can also lobby their advisory groups such as the ABI, NAPF, Risk Metrics and Manifest.

Question 13: Are there non-regulatory solutions to increasing quality through better guidance or publicising excellence in business reports? If so, what?

Comments
We answer this question solely in relation to remuneration disclosures, for which we think that a regulatory solution is needed.

1. Disclosure to date has been inadequate – in particular total remuneration is not clearly shown.

    1.1. The Directors Remuneration Report Regulations have produced very long and confusing reports. However, it is not clear how much the chief executive or other executive directors actually received or were awarded. There is lots of explanation, but this seems only to obscure the facts.

    1.2. The actual remuneration received/earned in a year is reported in 4 separate tables (Schedule 7A Part 3 Paras 6, 7-9, 10-11 and 12.) Nowhere is there a requirement for these separate elements of remuneration to be totalled. We doubt this aids transparency, which is a stated key objective.

2. Total emoluments (typically for a FTSE100 CEO) make up only one third of total remuneration. Pensions, share plans and options make up the other two thirds.

3. The press coverage of "fat cat" pay is ugly, unfriendly, uncompromising, unhelpful and negative. There is no competitive advantage in providing more and/or better information to shareholders as this only provides more ammunition to the press which they will use to criticise the company.

4. However, we note that the FRC has removed its demand in the Combined Code for remuneration disclosure, relying instead on the Directors' Remuneration Reporting Regulations. The 2003 Combined Code (in the preamble) said that Remuneration Reports should be "clear, transparent and understandable by shareholders". The pre-amble to the current Combined Code no longer contains these words. We think these words should be reintroduced (in a revised DRR) as a clear goal of what is expected as best practice.

5. In the current environment, companies have been unwilling to provide clarity. Therefore the Government (BIS) should legislate or introduce rules to force companies to do so.

    5.1. 16 pages for an annual report on remuneration rarely results in a report which is clear transparent and readily understandable by shareholders. We have attached, as Appendix 1, a one-page illustration which clearly shows how much the chief executive has been paid over five years. It does this in a transparent way. We think it is readily understandable by shareholders. We do not advocate that the BIS stipulate that this is a requirement, as it may not be the most appropriate means of communicating to shareholders by all companies. What is important is that any company which writes its report in a way which is **not** "clear, transparent and readily understandable by shareholders" should in future **not** comply with the Companies Act.

5.2. In this respect, the BIS may wish to consider the 2007 Royal Bank of Scotland report and the disclosure in that report of pension entitlements of the executive directors.

6. The FT leader column on 15th April 2003 also recommended providing a total remuneration figure.

7. As we have noted above, it is possible to explain chief executive pay simply on 1 page of A4 (see Appendix 1 for our example). No-one has done this voluntarily.

8. **Therefore the Government (BIS) has a legitimate role to intervene to require better disclosure and help the market work more effectively.**

8.1. For similar reasons, the FRC has a role in the UK Corporate Governance Code with respect to directors' remuneration, as does the FSA in respect of remuneration in financial services firms.

8.2. We understand that the FRC is concerned about remuneration disclosures but does not feel that the new UK Corporate Governance Code is the right place in which to address this. The Code is based on the "comply or explain" approach and has not resulted in clear transparent remuneration disclosures. Therefore a Companies Act requirement is needed.

8.3. It will be difficult to get agreement from all the experts on which figure to use for options and performance shares. When options disclosure was proposed in the US, the chief executives of corporate America set up a fighting fund with $70 million to lobby against disclosure. We do not under-estimate the difficulty of getting agreement here.

Directors' Remuneration Report

<u>Question 14:</u> Do the current disclosure requirements provide clear and usable information about:

- **the total remuneration paid to directors, and how this is made up;**
- **the performance criteria for payments to directors, and how these relate to the company's strategic objectives;**
- **company performance against these criteria, so that there is a demonstrable link between pay and performance.;**
- **the process by which directors' remuneration is decided?**

Comments

Do the current disclosure requirements provide clear and usable information about:

1. the total remuneration paid to directors, and how this is made up?

1. No. The total remuneration is not added up and shown in a single figure. This is a requirement of the SEC and a similar requirement should apply in the UK.

2. The actual remuneration received/earned in a year is reported in 4 separate tables (Schedule 7A Part 3 Paras 6, 7-9, 10-11 and 12.) Nowhere is there a requirement for these separate elements of remuneration to be totalled. We doubt this aids transparency, which is a stated key objective.

3. Total emoluments makes up only one third of total remuneration for many large companies. (Pensions, share plans and options make up the other two thirds and are shown separately spread over several pages.)

4. There is a timing issue in relation to when pay is awarded and when it vests and when it is received. Therefore our Recommended Total Remuneration disclosure is of both the total remuneration awarded in the year and the total actually realised in the year.

    4.1. Total remuneration **awarded** is the sum of salary, bonus, benefits, the increase in the transfer value of accrued pension and the expected value of share plans and share options and any other long term incentive arrangement.

    4.2. Total remuneration **realised** is the same as that awarded except for all long term incentives and share options, the amount of money made, or lost, in the latest year is included, i.e. the amount in £s of LTIP that vests in the year and for options the amount of any gain on options exercised in the year.

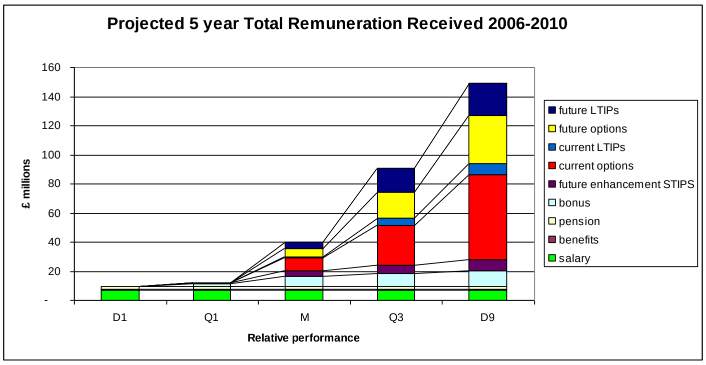
    The figure for realised gains would be added to the other remuneration received to get the total remuneration realised:

5. There should be disclosure of chief executive pay over the previous five years so that changes in pay are clear to shareholders.

6. Chief executive total (expected and realised) remuneration should be disclosed alongside the average remuneration of employees and the ratio of the two should be shown.

    6.1. There has been widespread concern about the growing differentials between chief executives' and average employees' remuneration, but this is not the reason for our proposal. We believe that chief executive pay should be linked to performance and any increase above the average for employees should be justified to shareholders.
    6.2. The combination of this disclosure together with a comparison of chief executive pay over the previous five years with TSR (and any other relevant performance measures) will force companies to explain why they have paid the chief executive the way they have.

7. In respect of future potential earnings, we advocate the following disclosure for the CEO of **Future Potential earnings in next 5 years**:



This would assume standardised salary increases at 3% p.a., bonus payout at max for D9, 50% of target at median and nil at D1, standard assumptions re share price growth, TSR and vesting of performance conditions. (There is a precedent in the US SEC for using standardised assumptions, e.g. the valuations of options pre IFRS2.)

8. Another problem is that the disclosure is limited to directors. In the US, the disclosure must include the 5 highest paid executives and this approach should be followed in the UK, in respect of the (audited) details required by the DRR. Since the DRR became law, fewer executives have been appointed to the main board and in some cases this was to avoid the disclosure of (embarrassingly) high remuneration.

Do the current disclosure requirements provide clear and usable information about:

2. **the performance criteria for payments to directors, and how these relate to the company's strategic objectives;**
3. **company performance against these criteria, so that there is a demonstrable link between pay and performance?**

1. Most narrative reporting focuses on these performance criteria looking forward and this should continue. However, there should also be a history of the performance criteria (and KPIs if these are different) over the past five years, together with key shareholder metrics like absolute and relative TSR.

   1.1. There should be disclosure of chief executive pay over the previous five years so that the pay linkage to performance is clear to shareholders. Currently, the disclosure requires a five-year graph of TSR. We think chief executive pay should be shown alongside this. (Companies could then explain the linkage of pay to performance and pay awarded and realised versus the stated policy – this supports the goal of accountability.)

   1.2. As noted above, Chief Executive total remuneration should be disclosed alongside the average remuneration of employees and the ratio of the two should be shown. There has been widespread concern about the growing differentials between chief executives' and average employees' remuneration, but this is not the reason for our proposal. We believe that chief executive pay should be linked to performance and any increase above the average for employees should be justified to shareholders. The combination of this disclosure together with a comparison of chief executive pay over the previous five years with TSR (and any other relevant performance measures) will force companies to explain why they have paid the chief executive the way they have.

1.3. The following table of CEO and KPIs may be helpful and could be used as an example of good practice. (As noted above we do not advocate detailed examples of best practice as in our view best practice is often company specific and too much guidance tends to lead to boilerplate reporting.)

	2006	2007	2008	2009	2010
CEO Pay - Total expected value of awards					
CEO Pay - Total received					
Total Shareholder Return – absolute value					
Total Shareholder Return – relative to an index eg FTSE 100, 250, All Share etc and/or comparator index or group of companies					
Share price growth					
Dividends – yield as % share price					
Market Capitalisation					
Net Debt					
Enterprise Value					
Turnover					
Profit (EBITDA)					
Profit margin					
Profit growth / Turnover relative to peers					
Cash flow					
ROCE					
WACC					
Debt/ EBITDA					
EPS					
P/E ratio (share price/ EPS)					
Other KPIs E.g. ARPU ?, key strategic goals, Customer satisfaction, staff effectiveness, Health and Safety, CSR measures					
CEO Salary					
CEO Bonus					
CEO shares and options – expected value of awards made in the year					
CEO share awards and options realised – total of gains from options exercised in the year and restricted shares that vested in the year					
Pension – transfer value of increase in accrued benefits					
Benefits – taxable value of benefits received					
Average Remuneration of employees					
Ratio of CEO (expected/realised) pay to average employee					

Do the current disclosure requirements provide clear and usable information about:

4. the process by which directors' remuneration is decided?

1. No. The remuneration report disclosures do not provide clear reports on how involved executive management are versus non-executive directors in the way pay is set for executive management.

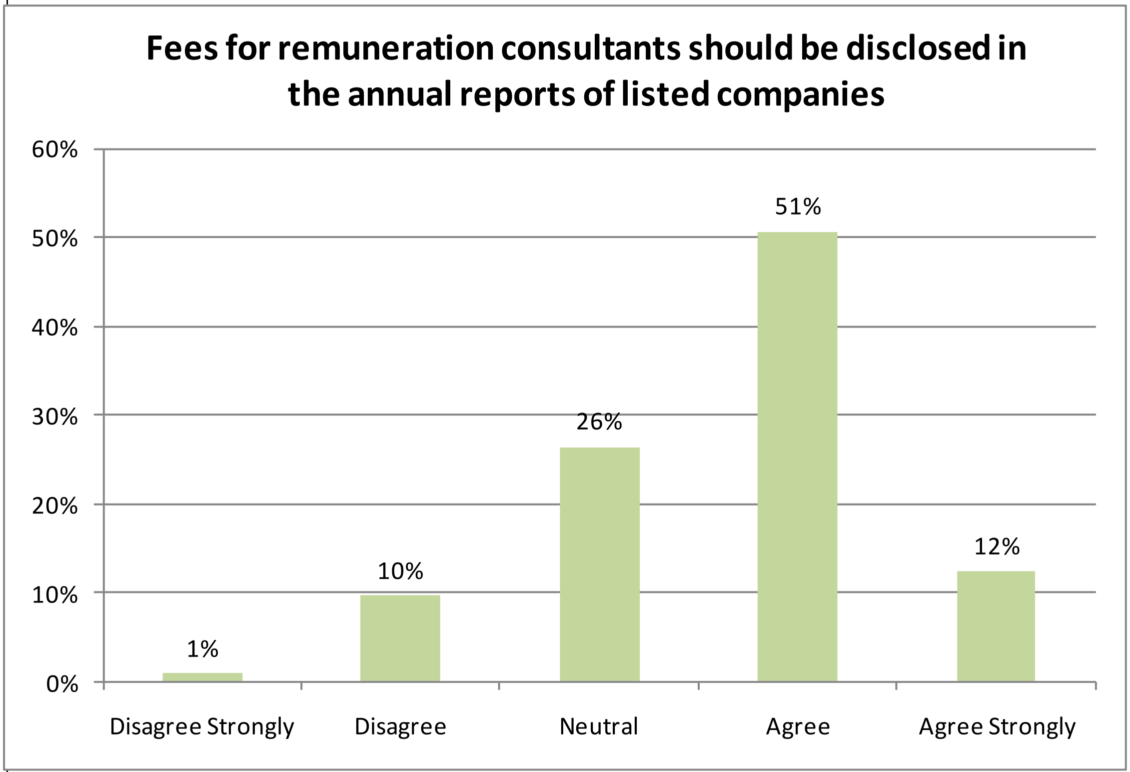
2. It is also unclear whether the remuneration consultants are under the

influence of the management or are operating in a truly independent way without any conflicts of interest. This could be substantially improved if the fees paid to advisers for remuneration committee advice and, separately, fees for their other services to the company and its pension fund had to be shown in the annual remuneration report.

3. The following example of the 2010 Robert Wiseman Dairies PLC Directors' Remuneration Report shows their disclosure. From this, their shareholders can see the degree of input and potential conflict of interest.

    During the year, the Committee consulted with AW Wiseman, Company Chairman, in relation to a number of its proposals and continued to receive advice from both Shepherd and Wedderburn LLP and Towers Watson (formerly Watson Wyatt) on structuring Directors' remuneration packages for which they received fees of £22,000 and £2,345 respectively (2009: £6,537 and £14,774 respectively). Shepherd and Wedderburn LLP and Towers Watson provided additional services to the Group on the administration, operation and design of the Company's share incentive arrangements for which they received fees of £23,415 and £1,915 respectively (2009: £25,913 and £8,177 respectively).

4. Chairman and Non-Executive Directors are very strongly in favour of this proposal - 63% agree that fees for remuneration consultants be disclosed in annual reports. Only 11% disagree. The source of this data is the MM&K 2010 Chairman and Non-Executive Director Survey. 442 directors - 290 chairmen and 152 non-executive directors - contributed to the survey. They provided data on 1,170 appointments on main market, AIM, PLUS and private company boards, across all sectors.



5. In our view, the level of fees paid to some large remuneration consultants may result in a conflict of interest. Publishing the fees paid for remuneration committee advice and separately for other services to the company (in a similar way that audit fees are disclosed) will improve the transparency.

Costs

Question 15:

If you can provide any information on costs associated either with the existing narrative reporting requirements eg preparing your business review or your views on potential costs and benefits in relation to any of the ideas in this consultation, please give details

Comments
1. The information we have proposed to be disclosed to shareholders should be readily available already, as non-executives should be asking to see this information. Placing the information on the website will therefore be low cost. 2. We also advocate that the amount of information disclosed in the annual report is reduced and that most of the current disclosure is merely reported on the website and so remain available if shareholders and other interested parties wish to review it. 3. The existing DRR has been one of the drivers of egregious CEO pay, because is allowed companies to hide and obfuscate information which shareholders should have had the right so see in a clear, transparent and readily understandable format. 4. Our proposals, combined with the new FSA remuneration code and the FRC new UK Corporate Governance Code, would not have allowed the cultures to occur in large banks which led to reckless lending, huge destruction of shareholder value and brought us to the abyss of financial collapse. One can argue that the current remuneration disclosures had a cost that was a significant proportion of the $2 trillion of shareholder value destroyed in the financial meltdown. 5. The cost benefit of improved remuneration disclosure is clear.

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Appendix 3 - About MM&K

MM&K is a leading independent consultancy specialising in the planning, design and implementation of pay and reward strategies.

Founded in 1973, MM&K focuses on directors and senior executive remuneration, but we have added other services to support our clients' needs through the acquisitions of Independent Remuneration Solutions and The Share Option Centre and the launch of higher talent, our specialist recruiter of HR professionals. MM&K is owned by its employees and directors.

Our consultants' expertise areas include HR, share schemes, law, accountancy, tax, corporate governance, business management and statistics. Our multi-disciplinary approach to remuneration is always tailored to individual client requirements.

MM & K Limited is owned by its employees and directors.

MM & K Limited is authorized and regulated by the FSA.

Who We Are

Paul Norris, Chief Executive

Masters graduate in Law and Barrister. Paul started his career with MWP Incentives Limited, and then spent a period in merchant banking before joining the buy-in team that created MM & K in 1985. He advises a number of remuneration committees on business-linked remuneration strategies and is experienced in the design and implementation of cash and share based incentive plans.

Nigel Mills, Director

PPE graduate and chartered accountant. Nigel joined MM & K in 1985 having spent 6 years at Price Waterhouse after graduating from Oxford. He is an authority on executive and all employee cash and equity based incentive schemes for public and private companies. He also leads the Private Equity business of MM & K and is an expert on carried interest and co-investment plans for Private Equity houses.

Cliff Weight, Director

Graduate in Mathematics and Statistics from Cambridge. Cliff has over 20 years' experience as a remuneration consultant. He was a Director of Independent Remuneration Solutions, who merged with MM & K in November 2006. He specialises in advising companies on executive directors' remuneration, annual and long term incentives and non-executive directors' fees. He is a regular speaker at conferences and is co-author of Tottel's Corporate Governance Handbook, for which he wrote the chapters on directors' remuneration.

David Henderson, Non Executive Director

David has been Chairman of Kleinwort Benson Private Banking since November 2004. David began his career specialising in personal tax and UK trusts. He subsequently spent ten years (1974-1984) as a banker at Morgan Grenfell and, following that, eleven years in financial services executive recruitment with Russell Reynolds Associates before joining the Board of Kleinwort Benson Group plc as Personnel Director in 1995. He was appointed Chief Executive of its private banking business in June 1997. David is also a non-executive director of Novae Group Plc, Price Forbes & Partners Ltd and Camp Hopson & Co.

Allan Johnston, Non Executive Director

MA and Chartered Fellow of CIPD. Allan was an Executive Director of Corus Group plc with responsibility for HR and some of the devolved businesses of the company until he retired from them in 2005. He is Chairman of UK Steel Enterprise Limited and Chairman of the Trustees of the £9.8Bn British Steel Pension Scheme. He is a Councillor of the City and Guilds of London Institute. Specialist in all areas of HR with particular expertise in change management.

Damien Knight, Executive Compensation Director

Physics graduate. After a period in construction management, Damien has followed a career in human resources and remuneration consulting, spanning 30 years. Damien was a director of the Hay group where he worked for over 20 years and most recently Damien was Senior Consultant with Watson Wyatt. For the past 15 years he has specialised in executive remuneration and has advised the remuneration committees and management of a wide range of companies in the UK and elsewhere in Europe, including several FTSE 100 and other major corporations.