

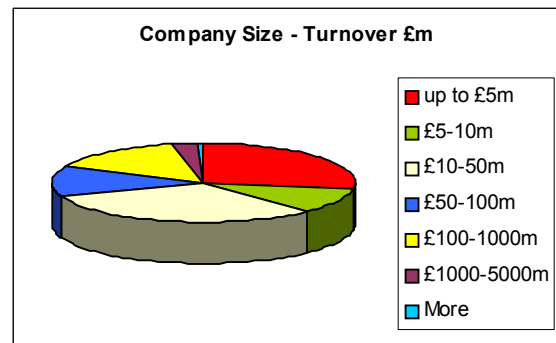
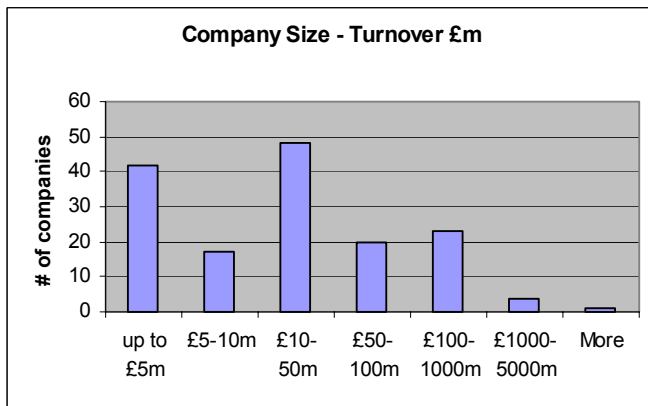
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The Information and TMT Non-Executives' Association

Remuneration Survey Results – July 2005

A survey of remuneration was carried out among ITNEA members in April 2005. Of the 337 members holding 416 quoted technology company directorships, 100 members replied covering 153 directorships. The sample of companies covered was split as follows:

	Sample		Turnover £m		
			Max	Min	Median
Quoted	108	70%			
Unquoted	45	29%	18,600	0.5	25



The sample is broadly comparable with that for our previous survey, in 1999, with the exceptions that:

- the chairmen in this survey were predominantly from companies at the smaller end of the spectrum, reducing the value of any comparisons of Chairmen's fees and time.
- There were no SIDs in 1999
- There were few Board Committees at that time, and almost no companies paid separate fees for committee participation.

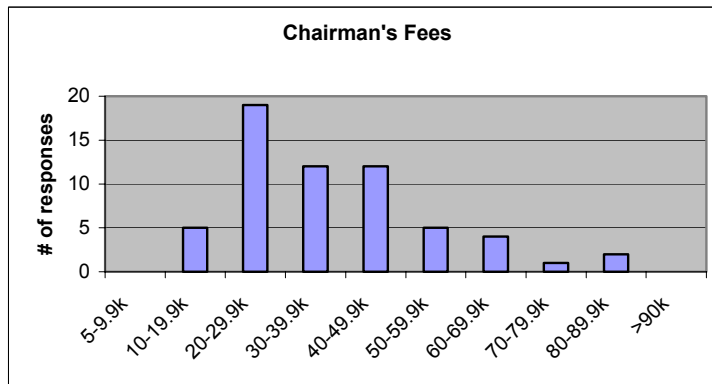
For these reasons the most valid comparisons are of overall time and overall fees, including any fees for committee membership or chairmanship.

2. Chairmen

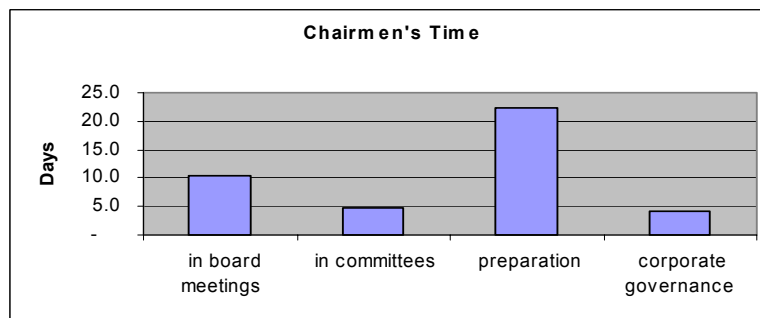
Chairman's fees varied widely, because the role of Chairman can be very different from company to company. Some Chairmen are heavily committed, whereas others spend very little time with the company.

The fees paid to Chairmen in the survey were as follows:

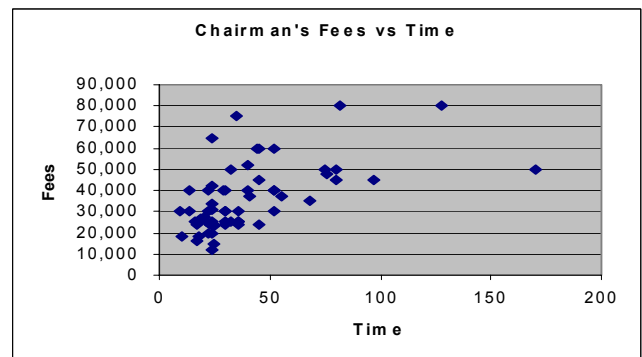
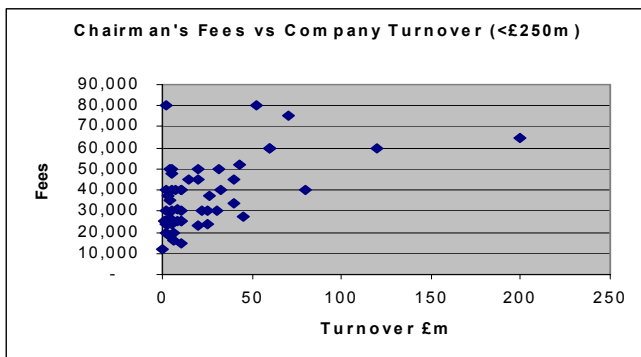
Average	Max	Min	Median
36,037	80,000	12,000	30,000



Chairmen's time was on average 39.4 days, spent as follows. Note that 'preparation' includes all activities outside the formal meetings and corporate governance.



This related to turnover and time as follows:

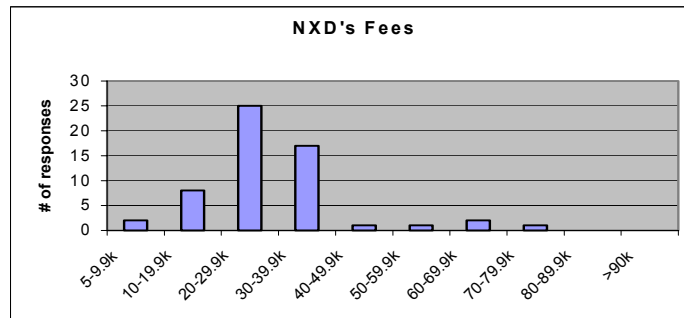


Note the charts only show turnover up to £250m, as including the larger ones squash the charts to the left and the relationship can no longer be seen.

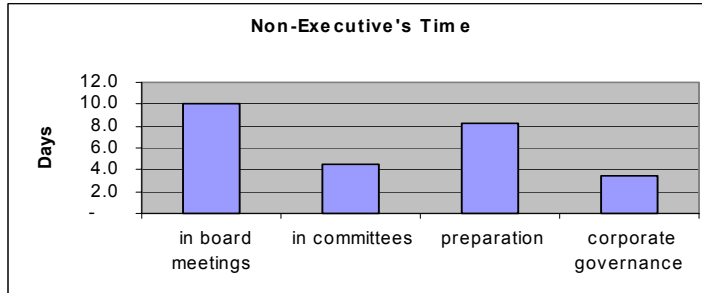
3. Non-Executives

Non-Executive fees fell into a fairly narrow band, with more than half being between £25 and 35k. As many companies do not pay separately for committee membership or chairmanship, the inclusive number is the best indicator of overall fee rates. It is also the best comparator for the fees reported in our previous 1999 survey, because at that time there were very few board committees, and almost no companies paid any extra fees for committee participation.

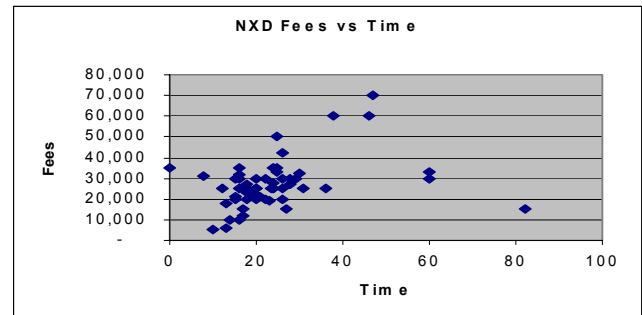
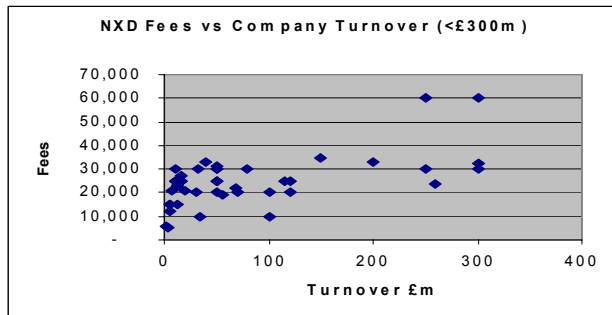
	Average	Max	Min	Median
Base fees	25,110	50,000	5,000	25,000
Including Committee fees	26,990	70,000	5,000	25,000



Non-Executive's time was on average 24 days, spent as follows. Note that 'preparation' includes all activities outside the formal meetings and corporate governance.



This related to turnover and time as follows:

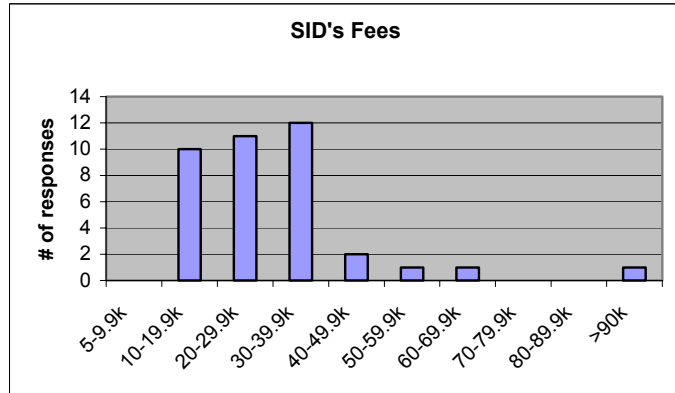


It is clear that there is a correlation between non-exec fees and time spent, but less clear that there is any relationship with company size. There is in fact a relationship between NXD fees and company size, but the higher fees only kick in with the large companies (>£1000m turnover), where they are reported as £42-50k. Taking into account the difference in time commitment reported in our previous survey, in 1999, NXD fees have risen by about 3.5% pa. This contrasts with an increase of ~21% pa for FTSE100 CEOs, giving an overall increase for CEOs of 208% during the 6 year period (source: Peter Brown, IRS Group).

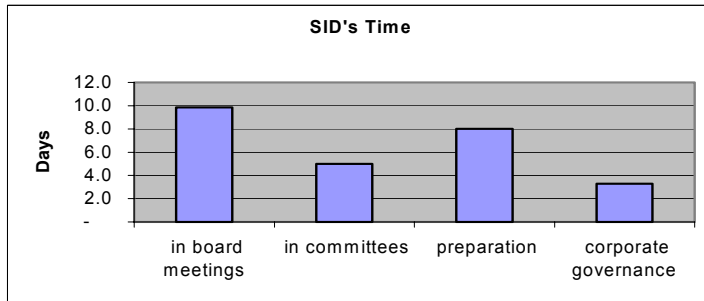
4. Senior Independent Directors

As would be expected, SIDs' fees were higher than NXDs, although the median was the same at £25k:

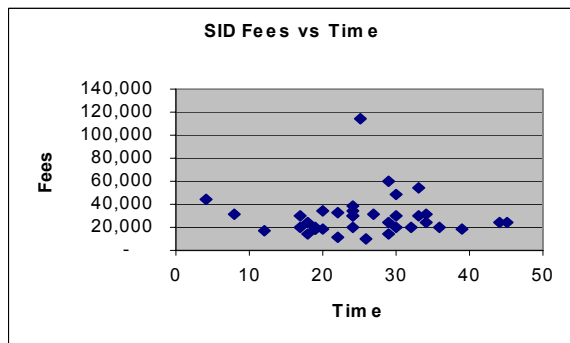
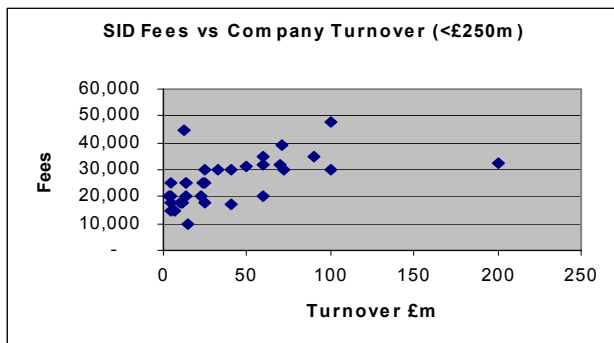
Average	Max	Min	Median
29,297	115,000	10,000	25,000



SID time was on average 25.2 days, spent as follows. Note that 'preparation' includes all activities outside the formal meetings and corporate governance.



This related to turnover and time as follows:



Once again, only companies with turnover of <£250m have been shown, as the larger ones squash the chart over and make it impossible to see the relationship with fees. In the case of SIDs, there seems to be little or no relationship between fees and time spent.

5. Quoted vs Unquoted

As might be expected, fees paid to quoted company non-executives are higher than those paid to unquoted company non-executives, however unquoted company roles are often supported with options or other equity incentives. This survey was aimed primarily at quoted company remuneration, so it did not analyse the extent of options or other share-based rewards in unquoted companies.

	Average Fees	Quoted	Unquoted
Whole Sample	29,509	33,567	25,993
Chairmen	36,037	43,850	28,223
SID	29,297	30,259	25,000
NXD	26,990	28,541	19,700
NXD + SID	28,210	29,237	21,214

6. Additional fees

In the sample, 18% of companies pay extra fees for Committee work. In the vast majority of cases this is for chairing a committee, but in a small number of cases it was a smaller amount for being a committee member. In one case it was an attendance fee for the Board meetings.

Where paid, the additional fees were as follows:

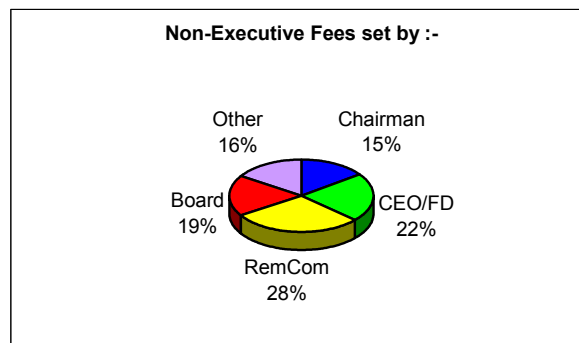
Average	Maximum	Minimum	Median
5,693	20,000	1,000	5,000

10% of the companies pay a daily rate for extra work, which may be for specific projects or for time above an agreed level of commitment of the base fee. When paid, the per diem amounts are:

Per diem fees	Average	Maximum	Minimum	Median
	1,257	2,000	650	1,350

7. Fee Setting and Review

Non-Executive fee levels are set as follows:



The categories add up to more than 100% because in several cases respondents ticked both "Chairmen" and "CEO/FD". In retrospect, the question could have been put better. "Other" included VCs, shareholders, AIM Sponsors, and "unclear".

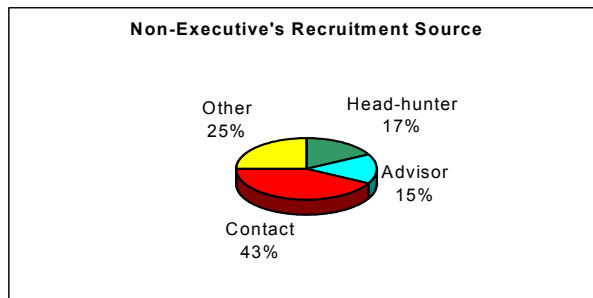
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Fees were reported as being reviewed annually by 44% (though not necessarily increased when reviewed), bi-annually by 22%, 3-yearly by 3% and less often by 28% of respondents. The “less often” responses comprised various versions of rarely, irregularly, not yet or never.

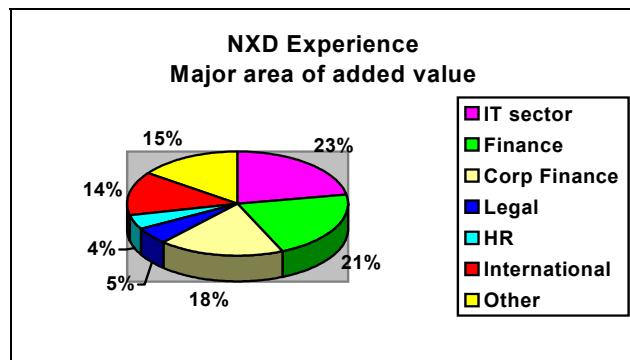
23% of respondents said the fees had been specifically reviewed following the Higgs report on the NXD role.

8. Recruitment Source

Respondents were recruited to their roles as follows, where “Other” includes investor, advertised, VC, broker, founder etc:



They reported the following areas of their experience adding most value to the Company, though in many cases respondents ticked several of the categories shown. “Other” included management, sales, marketing, product people, and so on.



9. Issues

Finally, we asked respondents what they saw as the main issues regarding non-executive remuneration. Perhaps not surprisingly, the overwhelming majority of mentions were about fee levels (58% of respondents), with the level of risk and responsibility coming a strong second (35% of respondents) and time coming third with 10% of respondents. A few other issues were mentioned, but only a handful of times each.

