

The Interview Protocol sent to directors
for “Remuneration Committee and Strategic Human Resource Management”
paper (Main, Jackson, Pymm and Wright).

The Remuneration Committee Process

OUTLINE INTERVIEW TOPICS

Remuneration Committee membership

Who sits on Remuneration Committee and who attends meetings?

- *What kind of people*
- *What skill base*

Are there meetings held without the CEO and other executives present?

Are you expecting the Chairman to formally join the committee in light of changes in the Combined Code/

Remuneration Committee meetings

How many Remuneration Committees are normally scheduled each year?

- *After Board meetings – ‘is time squeezed’*
- *Unscheduled meetings?*

How long is each meeting?

Has the amount of time spent (both in meetings and out of meeting activity) increased in the past two years? If there has been an increase what has been the cause of this ?

Is there a regular cycle or agenda items?

Over the year, roughly how many hours are spent in the committee and by the Remuneration Committee chairman on different aspects of executive reward:

- general strategy discussion;
- review of remuneration design and elements,
- review of market information;
- individual base salary determination;
- design of annual bonus plan (including choice and calibration of metrics);
- design of long term incentive (including choice of vehicle and metrics, calibration of metrics);

- design of benefits (including pensions);
- determination of individual annual bonus payments;
- determination of individual long term incentive grants;
- recruitment and severance packages for individuals;
- governance requirements (Directors Remuneration Report, discussions with individual shareholders)

The executive remuneration determination process

What are the key elements and attributes of a good executive remuneration strategy for your company?

Could you take us through the process by which executive director pay was set in the latest period?

- *How far below board does this process/authority extend*

Please explain the process adopted by the Remuneration Committee in choosing and calibrating the performance metrics used in the annual and long term incentive plans?

At what point and in what way does the Remuneration Committee investigate the probable pay-out and expected value of the total remuneration for each executive? (For example is there modelling of outcomes against budgeted or long term plan scenarios?)

Is there a mid year review of performance against the annual bonus plan targets?

Does the Remuneration Committee re-visit previous year's long term incentive plans to check on forecast payouts?

Does the Remuneration Committee exercise its discretion in relation to annual bonus plan and long term incentive plan payouts (for example if there is no formulaic payment and it is decided to make an award, or there is an unexpected 'over payment')? What motivated the exercise of this discretion?

To what extent does any 'learning' in the light of the outcome of the previous years' plans affect the specification of that year's plan? (For example, in relation to quantum, target levels etc)

How does the Remuneration Committee communicate with the executive directors whose remuneration they set? – both in terms of new arrangements and the outcomes of previous plans.

Governance

How would describe your overall approach to shareholders regarding executive remuneration reporting?

- *Who drafted the remuneration report*
- *Did you have meetings with key investors prior to AGM*

How would you describe your last contacts with institutional shareholders in relation to executive remuneration changes?

What are your views on the Association of British Insurers 'Principles and Guidelines on Remuneration'?