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Channel Islands Non-executive directors Survey

Jersey : 12 July 2011

Agenda

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Introduction

- This is the first edition of our Channel Islands non-executive director survey.
- Report considers issues facing non-executive directors as well as trends in fees paid.
- Data focuses on responses received by 103 non-executive directors of which 93% consider themselves to be independent.
- 79% of responses were based on listed/regulated and unregulated fund boards. Other banking and financial services were represented as well as Utility and private companies.

Roles and time commitment

Challenges for non-executives

- The majority of companies and funds have come through the last few years of the financial crisis.

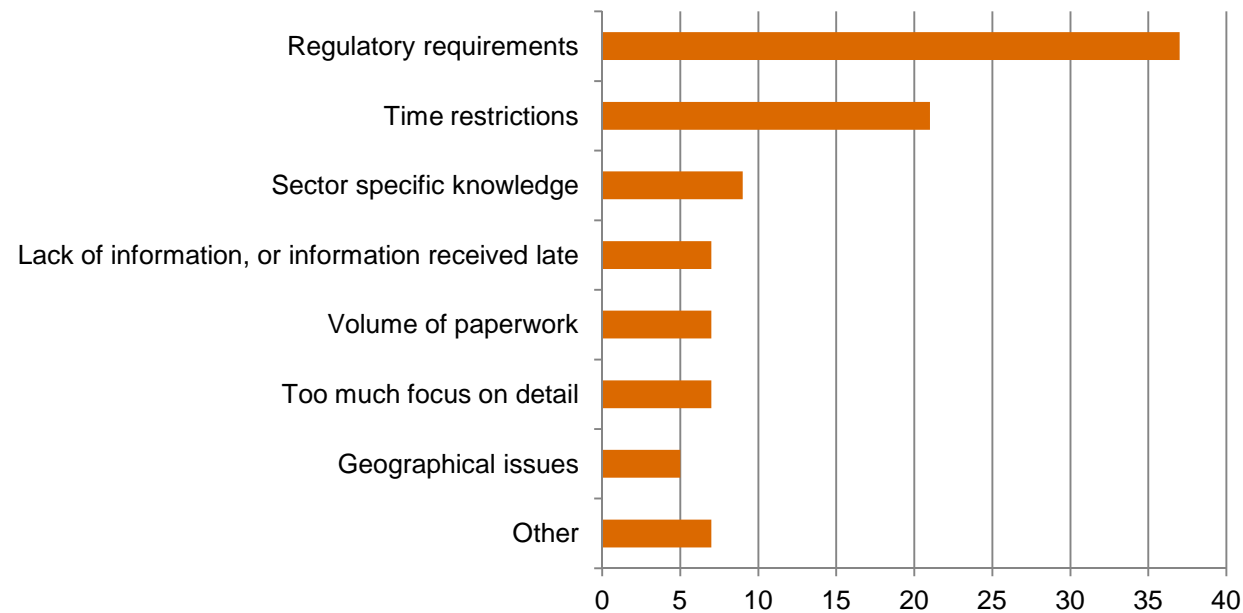
The key challenges over the next year for non-executive directors are:

- Investment /business performance & growth.
- Regulatory requirements.
- Fund and business strategy.
- Risk management.

Roles and time commitment

Challenges for non-executives

- Key factors impeding your role as a NED.



Tension between building/sustaining business performance v's time taken to deal with regulation.

Roles and time commitment

Changes to the non-executive role

- 95% of NED's think their role has changed, key changes include, time commitment, accountability, complexity and reputational risk.

Attractiveness of role?

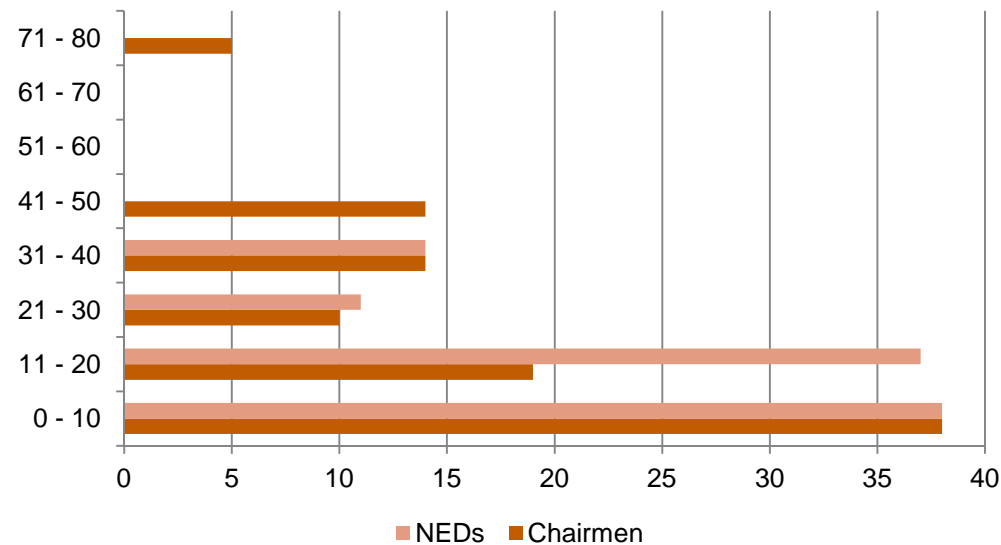
- The majority of NED's feel the role has become more attractive over the past few years due to challenging nature and ability to add value.
- A third of NED's believe the role is less attractive due to increased regulatory burden and associated reputational risk combined with insufficient remuneration.

Roles and time commitment

Increased future time commitments

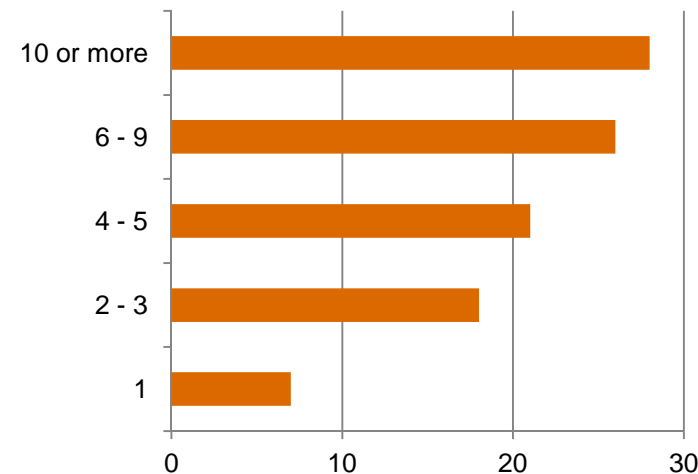
- 45% of non-executives expect future time commitments to increase.

Time commitment of NED's (days)



Roles and time commitment

Number of non-executive directorships



- The majority of NEDs hold more than 1 appointment.
- 71% of NEDs plan to restrict the number of directorships.
- 35% of NEDs would restrict appointments to between 10 and 20 funds/companies.

Fee levels

Adequacy of fees

61% of NEDs consider fee levels to be adequate.

65% of NEDs do not envisage a fee increase over the next financial year.

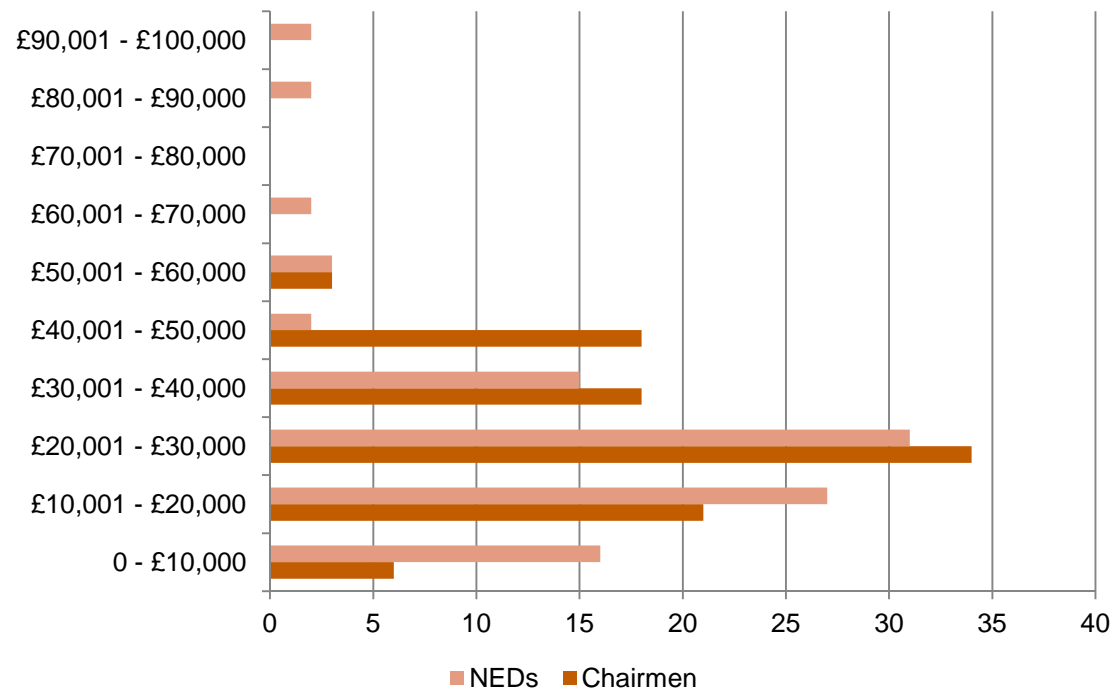
51% of boards do not have a policy for fee reviews for NEDs.

18% of NEDs have not had fees reviewed since 2007 or earlier.

The majority of NEDs contracts did not include scope for additional fees and of those that did less than half received additional fees for additional time spent

Fee levels

74% of NEDs are paid between £10,000 and £40,000 per annum.

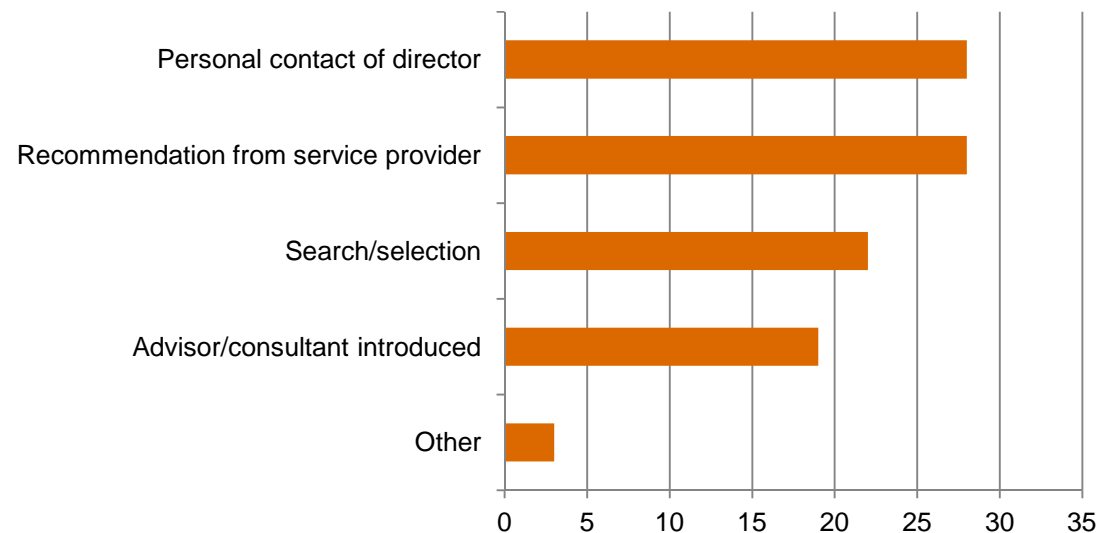


Fee levels

- Should there be a link between fees paid to non-executive directors and their performance?
- Performance could be measured by reference to:
 - Knowledge and experience
 - Training
 - Meeting attendance and contribution
 - Company specific objectives
- Need for objective measures and robust evaluation
- Impact on fee level and annual increases

Board structure

Selection process



NED's believe that key factors in the final selection process are competencies and sector experience.

Board structure

Diversity

Key selection factors when appointing non-executives

	% respondents
Experience	78
Background	10
Technical skills	5
Gender	2
Ethnicity	2
Other	3

Whilst diversity is a consideration when recruiting NEDs, the majority are recruited on the basis of experience.

Governance

Board evaluations

66% of respondents perform board evaluations annually

Most recent board evaluation

Types of board evaluation

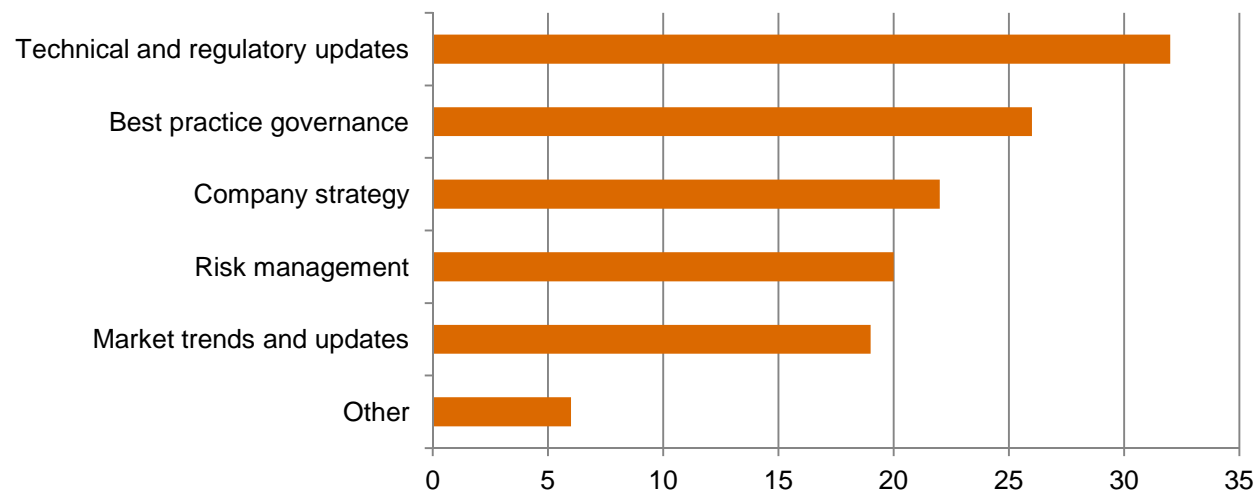
	% respondents
Questionnaire based	49
Self-evaluation	31
Informal discussion	28
Peer assessment	16
Interview based	15
Externally facilitated	9
Other	8

The majority of NEDs believe external facilitation of board evaluation adds objectivity and value to the process

Governance

Professional development programme

- 50% of NED's surveyed received a formal induction process
- 25% of NED's have a formal professional development programme



In closing.....

- The role of a non-executive director continues to be challenging.
- Time commitment perceived to have increased and will continue to increase.
- Fees appear not to have risen in line with time commitment.
- Regulatory changes and economic conditions continue to raise challenges.
- Key focus areas over the next 12 months:
 - Regulatory change
 - Training and development

Questions?

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