ICSA Board Evaluation

Review of the UK top 200 companies 2010

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Introduction

The Board Evaluation team at the Institute of Chartered Secretaries and Administrators (ICSA) has again reviewed, for the 2010 reporting season, how the largest UK listed companies have elected to carry out the evaluation of the performance of the board, the audit, nomination and remuneration committees and the individual board directors in line with Principle B.6 of the UK Corporate Governance Code (for accounting periods ending on or after 29 June 2010) or Principle A.6 the Combined Code on Corporate Governance (for accounting periods ending before that date).

ICSA acknowledges that it is an independent provider of board performance evaluation services on a commercial basis. Its purpose in offering this review is to promote greater interest in the virtues of well-conducted evaluations of boards, committees and directors; and in the belief that genuinely rigorous and honest board evaluation is a valuable tool for helping to develop better performing boards. Evaluations in themselves will not bring about the improvements. What really matters is the rigorous assessment of the board's functions and the quality and honesty of the board discussion which follows the evaluation and the implementation of the actions agreed by the board.

In the light of the financial crisis, and some of the poor decision-making and examples of inadequate governance which have come to light, the observation of Jonathan Sumption QC (leading counsel for the Government) in 2005 in the Railtrack Shareholders' Case still holds good in 2011:

> *'The prime risk that shareholders take is that the management of a company will mismanage it.'*

ICSA believes profoundly that Government, regulators, shareholders and boards of directors should be focusing on the value of objective and rigorous evaluations as a means of promoting better governance and achieving better performing boards in all business sectors, including the mutual sector, the National Health Service and the larger charities.

Since our report last year, the Financial Reporting Council (FRC) has issued (in June 2010) the UK Corporate Governance Code. Principle A.6 of the Combined Code appears now as Principle B.6. While the previous wording remains, the layout of the principle, supporting Principles and Code Provisions has been improved and a new Code Provision (B.6.2) has been inserted. For convenience, the whole Provision is set out below and the new Code Provision has been highlighted in bold type:

> *'B.6 Evaluation*
>
> *Main Principle*
> *The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.*
>
> *Supporting Principles*
> *The chairman should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, proposing new members be appointed to the board or seeking the resignation of directors.*
>
> *Individual evaluation should aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties).*
>
> *Code Provisions*
> *B.6.1 The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.*
>
> ***B.6.2 Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years. A statement should be made available of whether an external facilitator has any other connection with the company.***

Introduction (continued)

B.6.3 The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors.'

It remains to be seen how quickly larger UK companies move to comply with Code Provision B.6.2; and how much interest the share owning community takes in the manner in which their investee companies go about conducting and reporting on board evaluation. Two years ago, in our report on the 2008 reporting season, we referred to an article in the *Financial Times* of 1 February 2009 ('Integrity is key to gaining good governance'), by Phil Armstrong and James D Spellman. They wrote of the need for shareholders to act as owners and stated:

> *'Despite the justifiable scepticism, it is only through corporate governance – abiding by the letter and the spirit of a regime in which the interests of the owners are a director's reliable compass – that trust and confidence can be restored. So where to go from here? It all starts with shareholders. They own the company. Only when all shareholders act as owners will companies be better managed.'*

In July 2010, FRC published the UK Stewardship Code. Principle 3 states that, *'institutional investors should monitor their investee companies.'* The guidance to Principle 3 states in part:

> *'Investee companies should be monitored to determine when it is necessary to enter into an active dialogue with their boards. This monitoring should be regular, and the process clearly communicable and checked periodically for its effectiveness.*
>
> *As part of this monitoring, institutional investors should:*
>
> - *seek to satisfy themselves, to the extent possible, that the investee company's board and committee structures are effective, and that independent directors provide adequate oversight, including by meeting the chairman and, where appropriate, other board members;*
> - *maintain a clear audit trail, for example, records of private meetings held with companies, of votes cast, and of reasons for voting against the investee company's management, for abstaining, or for voting with management in a contentious situation; and*
> - *attend the General Meetings of companies in which they have a major holding, where appropriate and practicable.*
>
> *Institutional investors should consider carefully explanations given for departure from the UK Corporate Governance Code and make reasoned judgements in each case. They should give a timely explanation to the company, in writing where appropriate, and be prepared to enter a dialogue if they do not accept the company's position.'*

It is to be hoped that shareholders who subscribe to the Stewardship Code will follow through on this guidance so as to encourage boards that have yet to dip their toe in the water to take board evaluation seriously.

Some UK companies within the scope of Code Provision B.6.2 are still coy about engaging an external facilitator. Several boards appear still to believe that they are the best judges of how they perform. This comment from a FTSE 250 company about its approach to board evaluation sums up the wider problem nicely:

> *'The Board evaluates its performance and that of the Remuneration, Audit and Nomination Committees at least annually with each Committee also evaluating its own performance. Each year, we consult the Board to determine whether an external facilitator would enhance our process. To date, we have concluded that the current, open climate that the Board enjoys ensures a full and frank discussion of all matters, so an external facilitator is unnecessary.'*

Introduction (continued)

While that particular company's board may genuinely 'enjoy' a 'current, open climate' as described, our experience is that internally facilitated processes based on questionnaires do not usually cover all the ground. Moreover, as we have remarked before, the longer that directors serve on a board, the greater the possibility that they will begin to see their board as a 'magnificent institution', as one captain of industry remarked during a board evaluation interview.

Cost is cited also as a deterrent factor; although the reality is that the cost of a good externally facilitated evaluation will likely be 'lost in the roundings'. We suspect that another deterrent is misplaced fear on the part of some chairmen and CEOs that they will somehow lose control if they allow their board colleagues to talk confidentially to an outsider. This objection is usually dressed up as a desire not to wash dirty linen in public. The reality is that no reputable provider of board evaluation services would be so unethical or commercially foolish as even to contemplate revealing information about a client company learned in the course of an evaluation.

In making these observations, we are not contending that internally managed evaluations are per se 'bad' or that externally facilitated evaluations are per se 'good'. We are aware of some excellent internal processes just as we are aware of some less rigorous external evaluations. Nevertheless, internally driven exercises do not necessarily permit individual directors to unburden themselves of genuinely held concerns without fear of recrimination or even, in an extreme case, retribution. We hope that boards will start to ring the changes in line with Code Provision B.6.2 in order to derive greater benefit from board evaluation. To that end, alternating between internal and external processes should assist them in becoming better performing boards.

In this report for the 2010 reporting season, we have reproduced from the annual reports of the 200 largest UK companies (as at December 2010) the passages which address the conduct and outcomes of the evaluation processes adopted by each company's board. As in previous years, we leave it to readers to form their own views on what each company has claimed to have done and how it has decided to report to its shareholders. However, we feel that the following conclusions merit some comment:

1. In the 2010 reporting season, 33 (16.5 per cent) of the 200 companies covered by this report had elected to undertake some form of externally developed or managed evaluation process (the comparable figures for the 2007 reporting season were 32 and 16 per cent; for 2008 they were 42 and 21 per cent; and for 2009 they were 30 and 15 per cent). All but ten of these companies have used some form of external facilitation in the last five years. The 33 companies were:

    Aberdeen Asset Management PLC
    Alliance Trust PLC (also in 2007)
    Babcock International Group plc (also in 2007, 2008 and 2009)
    BAE Systems plc (also in 2006, 2007, 2008 and 2009)
    Balfour Beatty plc (also in 2006)
    Barclays PLC (also in 2006, 2007, 2008 and 2009)
    BG Group plc (also in 2008)
    Catlin Group Limited
    Chemring Group PLC
    Close Brothers Group plc (also in 2009)
    Cobham plc (also in 2009)
    EasyJet plc
    G4S plc (also in 2009)
    Hays plc (also in 2007 and 2008)
    HSBC Holdings plc (also in 2007, 2008 and 2009)
    Imperial Tobacco Group PLC (also in 2006, 2007, 2008 and 2009)
    InterContinental Hotels Group PLC (also in 2008)
    International Power plc (also in 2008)
    Kazakhmys plc (also in 2007 and 2009)
    Land Securities Group PLC
    Lloyds Banking Group plc (also in 2007, 2008 and 2009)
    Marks & Spencer Group plc

Introduction (continued)

National Express Group PLC (also in 2007, 2008 and 2009)
Old Mutual plc
Petrofac Limited (also in 2007)
Prudential plc (also in 2006, 2007, 2008 and 2009)
Rolls-Royce Group plc
Rotork P.L.C. (also in 2008 and 2009)
Scottish & Southern Energy plc
Shire Pharmaceuticals Group plc
Smith and Nephew plc (also in 2006, 2007 and 2009)
Vodafone Group PLC (also in 2007)
Wolseley plc (also in 2009)

2. Some of these companies have engaged the services of a search consultancy to undertake the evaluation. In view of the potential conflict of interest where the search firm has an existing and ongoing relationship with a company, it is submitted that one should at least consider whether the review was rigorous, within the meaning of Principle B.6 of the Code, and objective.

   Although, in the past few years, more companies overall have used an external facilitator to conduct or assist with their effectiveness evaluation, one must again express the hope that companies which have only ever employed an internally driven process will seek periodically to benchmark performance of the board and committees by engaging an external facilitator (of whom there are several) to undertake the performance evaluation process. The real concern is whether an internally driven evaluation process (particularly where it is limited to the use of questionnaires) has been objective and rigorous in every case. Adherence to an internally driven process carries with it the danger over time of the evaluation becoming devalued. This is where shareholders should be taking a closer interest.

3. Generally, company reports are more informative and seem to reflect a genuine desire on the part of those boards to improve their performance. A few reports on the other hand are terse to the point of disclosing nothing of any value; one or two are a bit complacent; and it is noteworthy that many companies, which have used an internal process and have yet to embark on an externally facilitated evaluation, repeat almost religiously the phrase 'formal and rigorous' from Principle B.6!

The page reference after the name of each company listed in this review is a reference to the relevant page of that company's annual report and accounts.

Aberdeen Asset Management PLC

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A formal process has been established, led by the chairman, for the annual evaluation of the performance of the board, its appointed committees and each director, to ensure that they continue to act effectively and efficiently and to fulfil their respective duties, and to identify any training requirements.

The board appointed an external consultant, Trust Associates Limited, to carry out this year's review. The consultant used questionnaires, held interviews with each director and attended one of the scheduled board meetings. Trust Associates Limited followed this up with discussions with the board and committee chairmen to discuss the results and, thereafter, presented their recommendations to the board. The results have been analysed and were discussed at subsequent meetings of the committees and of the board, as well as in individual discussions between the chairman and each director.

The non-executive directors also met without the chairman present to discuss the results of the evaluation of the chairman's performance, having taken into consideration the views of the executive directors, and the results of this meeting were subsequently discussed between the senior independent director and the chairman. Additionally, the non-executive directors held a meeting without the executive directors present at which executive directors' performance was discussed.

Admiral Group plc

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During the year, the board carried out a detailed evaluation of itself, the chairman and its committees in order to identify areas for improvement to ensure that the group's strategy is implemented as effectively as possible. The process was led by the chairman and facilitated by the company secretary and consisted of the completion of a comprehensive questionnaire evaluating the board and committees' processes, their effectiveness, and where improvements could be considered. Completion of the questionnaire by each director was followed by one-to-one discussions between each director and the chairman where the board's role and structure, process, relationships, and any emerging issues were discussed.

The evaluation concluded that the board and its committees performed well during the year and are effective in meeting their objectives and fulfilling their obligations. In addition, the chairman has concluded that each director contributes effectively and demonstrates full commitment to his/her duties.

Aegis Group plc

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The non-executive directors, led by the senior independent director, continued the process of meeting annually without the chairman being present to appraise the chairman's performance. As a result of this, the senior independent director meets with the chairman to discuss any particular issues where it is felt that improvements could be made.

In the normal course of business, an annual performance review of the board and its committees is undertaken in accordance with A.6.1 of the Code. However, in the light of substantial changes to the board's composition made during the year, it was not considered appropriate to undertake the performance review of the board and its committees during 2009. It is expected that this process will be reintroduced in 2010, following the appointment of Jerry Buhlmann as chief executive officer.

Afren plc

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The board periodically considers its performance and effectiveness. A performance evaluation of the board, its committees and its individual members was conducted during 2009 by Mr Osman Shahenshah, with the assistance of senior management. The results were discussed with the chairman and considered by the board and were taken into account in the decision to recommend the election of the two directors and re-election of the two retiring directors at the forthcoming annual general meeting. The board is satisfied that each director continues to contribute effectively and to demonstrate commitment to his role.

African Barrick Gold

No information given.

Aggreko plc

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This year, as in previous years, the board conducted an evaluation of its own performance through an assessment questionnaire completed by all directors. The questionnaire asked directors to grade areas such as the performance of the board and its committees, the effectiveness of the chairman, executive and non-executive directors, the monitoring of operational performance, and corporate governance, as well as leadership and culture. In this way, we can compare results with previous years. A summary of conclusions was then presented to the board. The results showed a high level of satisfaction amongst the directors as to the effectiveness of the board – broadly in line with 2008 – but identified some issues on which we agreed the board should concentrate for the coming year. These included our people development programme, the economic assumptions underlying our strategy and business model (as set out on pages 18 to 24), and the competitive and investment challenges flowing from environmental developments.

We have reviewed the interests declared by directors which could conflict with those of the company, and we are satisfied that the board's powers to authorise potential conflicts is operating effectively.

The independent non-executive directors also discussed Philip Rogerson's recent appointment as chairman of Bunzl plc and were satisfied that it should not impact on his role as Aggreko's chairman.

Alliance Trust PLC

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The board is committed to undertaking annual reviews of its own performance, and also the performance of its committees and individual directors. This can be facilitated either internally or, as was the case this year, with external assistance. This year, the board decided that the evaluation should be facilitated externally and appointed Dr Tracy Long of Boardroom Review to undertake the exercise. The board last undertook external facilitation in 2007.

The evaluation was undertaken by a series of confidential interviews with directors, discussions with the company secretary and a review of board and related papers during the period between November 2009 and January 2010.

Areas of strength identified were in relation to the board's focus on risks and controls and performance management, culture and board dynamics, and engagement with shareholders. The evaluation identified the changing role of the board, including the interaction with the boards of the principal subsidiaries, and succession planning as key issues for consideration by the board over the coming year.

The senior independent director led the evaluation of the chairman's performance, which was the subject of discussion at a meeting of the non-executive directors, following completion by them of a questionnaire which was devised to assess Lesley Knox's performance against a series of key attributes for a chairman. The evaluation confirmed that the chairman was effective in her role.

AMEC plc

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An internal review of the effectiveness of the board and its committees was carried out during the year by the chairman by way of a review of questionnaires completed at his request by individual directors. Findings were considered by the board as part of its review of both collective and individual board member performance. No material changes were identified as being necessary as a result of this exercise. The independent non-executive directors also met privately without the chairman present and also with either or both of the chairman and chief executive being present to consider management performance and succession issues. A formal process exists for the directors to take independent professional advice and receive appropriate training in the course of their duties, at the company's expense, organised by the company secretary.

Amlin plc

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Since the last annual report, the board has completed an annual evaluation of the performance of the board, its committees and each director. The annual evaluations were initiated by a questionnaire completed by each director giving his assessment of both collective and individual performances. The results of the latest board evaluation were summarised by the chairman at its meeting in February 2010 and the board agreed its conclusions. Each board committee evaluated its performance at the turn of the year, and the conclusions were also reported to the board in February 2010.

The chairman also discussed any issues arising from the evaluation of each individual director, including the performances of executive directors in respect of their boardroom as opposed to executive roles (which are evaluated as part of the group's regular performance development review process), with the director concerned. The chief executive's total performance is reviewed by the chairman.

The chairman's own evaluation was conducted by the non-executive directors led by the senior independent director, taking into account the views of the executive directors. The senior independent director discussed and agreed the conclusions with the chairman.

Anglo American plc

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A formal evaluation of the performance of the board, its committees and individual directors was carried out by Dr Long of Boardroom Review in late 2008 and presented to the board. For the first time, the scope of the evaluation was widened to include the views of senior executives below board level. The aim is to ensure continuous improvement in the functioning of the board. Arising from this review, the board has agreed to certain changes and ongoing development in the following areas:

- strategy planning;
- communications with major shareholders;
- talent management and succession planning;
- committee composition;
- submission of information to the board and scheduling of meetings.

As in past years, the evaluation process also included a review, chaired by the senior independent non-executive director (without the chairman present), of the performance of the chairman. It is the board's current intention to continue to engage an external reviewer for the board effectiveness evaluation process from time to time. In light of the many changes to the board during the year, it was decided that an external review would not be carried out in 2009. In the meantime, the chairman has held individual briefings with each director to ensure that the necessary board and committee processes are functioning properly. Since his appointment, Sir John has introduced a rolling agenda for the board and instigated regular informal meetings of the non-executives prior to each board meeting. These informal meetings give the board the opportunity, inter alia, to discuss the performance of the management and to air subjects outside the confines of the boardroom in an informal but nevertheless constructive manner.

Antofagasta plc

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The board periodically considers its performance and effectiveness. A performance evaluation of the board, its committees and its individual members was conducted during 2008 by Mr G S Menéndez, with the assistance of senior management. Mr C H Bailey, as the senior independent non-executive director was responsible for the evaluation of the chairman. The results were discussed with the chairman and considered by the board and were taken into account in the decision to recommend re-election of the retiring directors at the forthcoming annual general meeting during 2009. The board is satisfied that each director continues to contribute effectively and to demonstrate commitment to his role.

Aquarius Platinum Limited

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The board of Aquarius conducts a performance review of itself on an ongoing basis throughout the year. The size of the company and hands on management style requires an increased level of interaction between directors and executives throughout the year. Board members meet amongst themselves and with management both formally and informally. The board considers that the current approach that it has adopted with regard to the review of its performance and of its key executives, provides the best guidance and value to the group.

ARM Holdings PLC

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The board undertakes an annual board evaluation. During 2009, this exercise was conducted internally with directors completing detailed questionnaires which were compiled into a report by the company secretary. This report was considered by the board and formed the basis for individual discussions between the chairman and each director. The evaluation covered:

- strategic development, execution and monitoring;
- risk management and control;
- leadership development and succession planning;
- shareholder and stakeholder communication;
- performance management;
- board structure, committees, operations and effectiveness;
- board committee processes; and
- induction, development and evaluation.

The overall conclusion was that individual board members are satisfied that the board works well and operates effectively in an environment where there is constructive challenge from the non-executive directors. They are also satisfied with the contribution made by their colleagues and that board committees operate properly and efficiently. Various recommendations resulted from the evaluation which have been discussed by the board and will be acted upon in 2010, as appropriate. It is intended that the board evaluation to be conducted in 2010 will involve external consultants.

A full, formal induction programme is arranged for new directors, tailored to their specific requirements, the aim of which is to introduce them to key executives across the business and to enhance their knowledge and understanding of the group and its activities. The group has a commitment to training and all directors, executive or non-executive, are encouraged to attend suitable training courses at the group's expense. During 2009, the board received training from external lawyers on UK and US corporate governance matters.

The terms of reference of the audit, remuneration and nomination committees are published on the group's website at *www.arm.com.*

Ashmore Group PLC

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The board has established a formal process, led by the chairman and assisted by the company secretary, for the annual evaluation of the performance of the board, its appointed committees and each director, to ensure that they continue to act effectively and efficiently and to fulfil their respective duties, and to identify any training requirements. In doing so, the board has concluded that both the board and its committees are functioning effectively. Meetings were held between the chairman and each individual director in which issues and developments over the year were discussed and performance was considered by reference to the objectives of the board and its committees. Each director also completed a formal questionnaire and responses were collated by the company secretary. The results and issues raised were subsequently discussed by the board together with progress against last year's evaluation. The board also evaluated the chairman's performance.

Associated British Foods plc

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Performance evaluation of the board, its committees and individual directors takes place on an annual basis and is conducted with the aim of improving individual contributions, the effectiveness of the board, its committees and the performance of the group. This year, the review, which took place in the final quarter of the financial year, was led by the senior independent director.

The process involved putting together a discussion guide which covered designated topics, with a particular focus this year on board dynamics and effectiveness, corporate governance, risk management and the development of strategy. The senior independent director undertook a confidential, unattributable interview with each director and the company secretary based on the discussion guide.

Particular attention was paid to progress made in implementing the previous year's recommendations. Following the meetings, the senior independent director produced a written report which was discussed with each of the chairman and the chief executive, before being sent to board members and discussed at the following meeting. Among the main themes highlighted by this year's evaluation were the importance of reviewing the development of strategy further and of scrutinising risk assessment procedures and the processes in place to mitigate risks identified. A list of action points to deal with the issues arising from the performance evaluation was compiled and is being implemented under the direction of the chairman.

Overall, the evaluation process in 2010 confirmed that the board and its principal committees had functioned efficiently during the year and that each director continued to contribute to his role effectively and with proper commitment, including of time. The board has taken the decision that in future the annual evaluation of its performance will be externally facilitated at least once every three years.

Astra Zeneca PLC

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Prior to the publication of this annual report, the board conducted the annual evaluation of its own performance and that of its committees. This was carried out internally, using a series of web-based questionnaires that covered a range of topics, including the nature and level of the board's interaction with the group's management; the quality, quantity and scope of information which flows to the board from management, and the way in which it flows; the content of and presentations to board meetings; the composition of the board; the practical arrangements for the work of the board; and the work and operation of the board's committees. Overall, it was concluded that the board and its committees were operating in an effective and constructive manner.

As part of the assessment process, each non-executive director received feedback about his or her individual performance. The non-executive directors reviewed the performance of the CEO and CFO in their absence. In addition, the board, under the chairmanship of the senior independent non-executive director, reviewed the performance of the chairman in his absence. Each director continues to perform effectively and demonstrate commitment to the role

Automony Corporation plc

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The members of the board evaluate the performance of the board, its committees and individual members at meetings, at the first meeting following the end of the year, with the aim of improving individual contributions, the effectiveness of the board and its committees and the group's performance. The non-executive directors, led by the senior independent director, are responsible for the scope of the evaluation, taking into account the views of executive directors.

The evaluation is designed to determine whether the board continues to be capable of providing the high level judgement required and whether, as a board, the directors are informed and up-to-date with the business and its goals and understand the context within which it operates. The current evaluation is also to include a review of the administration of the board covering the operation of the board, its agenda and the reports and information produced for the board's consideration. The board will continue to review its procedures, its effectiveness and development in the year ahead.

The evaluation undertaken in 2009 found the performance of each director to be effective and concluded that the board provides the effective leadership and control required for a listed company.

Aveva Group plc

Page 36

The Combined Code requires that the board undertakes a formal annual evaluation of its own performance and that of its committees and individual directors.

In the course of the year, the chairman, in conjunction with the other members of the nominations committee, conducted a review of the structure and skills of the board and the performance of individuals. One decision which emanated from this review was the desirability of adding to the collective skills of the board a stronger non-executive input on technology issues and this led to the appointment of Hervé Couturier as a non-executive director.

Overall, the performance of the board and its committees was considered to be satisfactory but some ideas for changes in the way the board handles its business in relation to the provision of information and the focus of board meetings were generated by these consultations and these will be introduced in the current year. As part of the board review process, the performance of the chairman was assessed by the senior independent director following consultation with the other non-executive directors.

Aviva plc

Page 87

The effectiveness of the board is vital to the success of the group and the company undertakes a rigorous evaluation each year in order to assess how well the board, its committees, the directors and the chairman are performing. The aim is to improve the effectiveness of the board and its committees and the group's performance. The process is led by the chairman and supported by the group company secretary. This year, the evaluation was carried out by Boardroom Review, an independent consultancy, and interviews were conducted with each board member.

All directors also completed a questionnaire evaluating the board and committees' processes, their effectiveness and where improvements may be considered. Boardroom Review prepared a report based on the interviews with the directors and the questionnaire circulated and the overall results of the evaluation were presented to and reviewed by the board in January 2010.

The performance of the chairman is also included in the above process and takes into account the views of both the executive and non-executive directors. The chairman's evaluation is managed by the senior independent director who provides feedback to the chairman. As part of the chairman's evaluation, the non-executive directors meet separately under the chairmanship of the senior independent director. The board evaluation process assesses the executive directors in their capacities as directors of the company. They are evaluated in respect of their executive duties through a separate process whereby the chairman and the non-executive directors assess the group chief executive and the group chief executive assesses the executive directors.

Following this comprehensive review, the directors have concluded that the board and its committees operate effectively and have agreed actions in respect of certain processes identified for improvement. Additionally, the chairman has concluded that each director contributes effectively and demonstrates full commitment to his/her duties.

Babcock International Group PLC

Page 62

During the year, a review of the performance of the board as a whole, its committees and individual directors (including the chairman) was carried out using the services of an independent facilitator, Professor Stuart Timperley, who conducted a series of confidential interviews with each board member, the company secretary and members of senior management. He then reported his findings to the chairman and the whole board at a meeting which discussed those findings.

Professor Timperley has conducted two earlier such reviews for the company. The benefit of his prior acquaintance with certain of the directors and other interviewees, provided the basis for an open and full dialogue and gave him a, perhaps unique, ability to understand the needs of the company and the board. Apart from conducting such reviews, Professor Timperley has on occasion provided personal mentoring to one or two members of the senior management team.

BAE Systems plc

Page 79

For the last five years, our annual board effectiveness evaluations have been undertaken by Sheena Crane, an experienced consultant, whose only interest with BAE Systems is her work with the board. She was appointed to perform this work in consultation with the nominations committee. The evaluation process is based on the facilitator interviewing each of the directors and recording their views on how the board and its committees work and on the performance of individual directors. Feedback on board performance is presented to a meeting of the board, which agrees actions and objectives for the following year based on the information the facilitator provides and the conclusions that the board derives from this. With regards to information on personal performance, I meet with each director and provide feedback on a one-to-one basis, committee chairmen also get feedback on committee performance. Importantly, feedback on my performance in chairing the board is provided by the consultant directly to our senior independent director, who discusses this with the other non-executive directors before I meet with him to receive feedback.

Balfour Beatty plc

Page 77

Formal evaluation of the performance of the board and of the principal board committees, as well as individual assessments of the directors themselves, are normally carried out by an external consultant triennially, with internal assessments carried out in the intervening two years. The most recent evaluation was completed in February 2010 using an external consultant, who was appointed following a detailed assessment of the services provided by a number of providers and a series of interviews.

The evaluation process comprised a series of one-on-one interviews with each member of the board and other members of the senior management team and the report has been reviewed by the board at a meeting dedicated for this purpose. The comprehensive nature of the review followed regulatory guidance on the evaluation of the board, its delegated committees and individual members.

The board has discussed the outcomes of the report and will make any appropriate changes in due course.

In the intervening years, an evaluation process is carried out by the company secretary, at the request of the chairman. This comprises an assessment questionnaire covering the effectiveness of the board and its committees including composition, arrangements for and content of meetings, access to information and administrative procedures.

Barclays PLC

Page 165

The Code recommends that an evaluation of the effectiveness of the board and its committees is conducted annually and the Walker Review further recommended that the process is externally facilitated at least every second or third year. We have undertaken externally facilitated performance evaluations annually since 2004 and an action plan has been agreed each year to progress any identified improvements. The evaluation in 2008 was independently facilitated by Egon Zehnder International and the following actions were agreed for 2009:

- continued focus on the board's calendar of business to ensure that noncritical items are removed or kept to a minimum, thereby ensuring that sufficient time can be allocated to items fundamental to the success of the group;
- refinements to the board's calendar of business, including additional time to be spent on items such as compensation strategy and succession planning;
- review of the overall size of the board;
- refinements to the process for evaluating the performance of individual directors; and
- additional reporting on capital and liquidity.

The action plan for 2009 was completed.

In light of changes in board composition and the significant events of 2009, we reviewed our board evaluation process before starting the review for 2009. This included considering whether or not to use an external facilitator and reviewing and interviewing a number of alternative external facilitators. The board corporate governance and nominations committee decided to use an external facilitator again

in 2009. It felt that, in order to get the maximum benefit from an evaluation exercise, interviews with directors must be conducted as these tend to be far more informative than questionnaires alone. The committee also felt that it was appropriate to conduct such an external review given the question-marks that have been raised over corporate governance in the sector and following publication of the Walker Review.

The 2009 evaluation was again independently facilitated by Egon Zehnder International. The committee felt that their proposal for a refreshed approach to evaluation, including an increased emphasis on board relationships and a broader remit with input being sought from key executives below board level, was the most appropriate process. The board confirms that it does not believe there is a conflict of interest in the business relationship with Egon Zehnder International as executive search consultants and board evaluation facilitators, particularly as the group has relationships with other search firms.

The evaluation process is rigorous and took the form of questionnaires, which were shortened this year to focus on the elements that need to be monitored. These questionnaires were completed by director and other key executives, who then had individual interviews with Egon Zehnder. The individual meetings with Egon Zehnder focused on overall board composition, a review of key decisions taken by the board, the quality of information flows, the quality of debate, the effectiveness of the board committees and board dynamics, particularly with a view to assessing whether the interaction of the board creates a whole that is greater than the sum of its parts. The process underpinning key decisions taken by the board during the year was also reviewed. In addition, the evaluation exercise seeks directors' views on the appropriate size and composition of the board, including identifying any gaps in skills and experience around the board table. The evaluation covered the following areas:

- group performance;
- strategy and performance objectives, including non-executive director involvement;
- reporting to shareholders and stakeholders;
- structure, people and succession planning;
- decision-making processes, including the culture for effective challenge;
- information flows and presentations;
- board structure and composition, including non-executive experience and knowledge;
- board roles and responsibilities;
- board and management relationships;
- board meetings; and
- board committees.

The results of the evaluation were presented to the board in February 2010.

The results focused on key themes rather than on direct feedback from the questionnaires. The themes that will form the basis of the action plan for 2010 include:

- board size and diversity;
- holding additional board meetings overseas, particularly given the increased size of our operations in the US;
- increasing the visibility of senior executives below board and group executive committee level; and
- improving the format of strategy presentations to the board.

I held private meetings with the non-executive directors in early 2010 so that individual and general results could be discussed. Bespoke development plans are then agreed with each non-executive director in relation to their own performance. As chairman, I had regular meetings with shareholders and kept the board fully informed of their views. Details of communications with shareholders are set out on page 168 in the section on relations with shareholders.

The Berkeley Group Holdings plc

Page 56

A review of the operation of the board, its committees and the skills of the directors was undertaken during the year. The process was led by the chairman. All directors completed the wide-ranging appraisal questionnaire and the results were reviewed by the board. The process confirmed the ongoing effectiveness of the board.

Betfair Group plc

No information – new listing 27/10/2010.

BG Group plc

Page 45

The board considers that the periodic involvement of an external facilitator in the annual board evaluation process assists with the rigorous review of the board's performance by bringing an independent perspective to the evaluation. Accordingly, during 2009, the board worked with Dr Tracy Long at Boardroom Review, an independent third party, to conduct the annual review of the performance and effectiveness of the board.

The review by Dr Long was designed to assess the quality of the board's decision-making and debate, its overall contribution to, and impact on, the long-term health and success of the company and its preparation for future challenges.

BHP Billiton Limited

Page 136

The board is committed to transparency in determining board membership and in assessing the performance of directors. Contemporary performance measures are considered an important part of this process.

The board assesses its performance through a combination of internal peer review and externally facilitated evaluation. Contemporary performance measures are considered and important part of this process. Director's performance is also measured against their individual development plans.

The board conducts regular evaluations of its performance, the performance of its committees, the chairman, individual directors and the governance processes that support the board's work. This includes analysis of how the board and its directors are functioning, the time spent by the board considering matters and whether the terms of reference of the board committees have been met, as well as compliance with the board governance document.

The evaluation of the board's performance is conducted by focusing on individual directors and board committees in one year and the board as a whole in the following year. In addition, the board conducts evaluations of the performance of directors retiring and seeking re-election and uses the results of the evaluation when considering whether to recommend the re-election of particular directors.

Black Rock World Mining Trust plc

Page 3

The board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The nominating and governance committee will receive comments from all directors and report annually to the board with an assessment of the board's performance. The assessment will focus on the board's contribution to Black Rock and specifically focus on areas in which the board or management believes that the board could improve.

BP p.l.c.

Page 69

I am pleased to have this opportunity to report to you on the work of the BP board over the last year. I joined the board as a non-executive director in September 2009 and took the chair on 1 January 2010 upon the retirement of Peter Sutherland. Peter has reviewed this letter and I, of course, have had the benefit of the views of my board colleagues on its content.

This is a particularly interesting time for me to take the chair at BP. In the past months, we have seen the reports of Sir David Walker and the Financial Reporting Council (FRC), to which we have contributed. The way in which boards work has again been in the spotlight. There are a number of lessons that all boards can learn from the events of 2008 and 2009. Both these reports have focused on the need for appropriate behaviours around the board table and for governance not to be regarded as solely relating to compliance.

This is a view which BP has taken for some time and which I fully endorse. I have been impressed by BP's commitment to the highest standards of corporate governance. Governance describes all that a board does – a point which has been reinforced by the FRC's draft revised Combined Code. It is vital that a board balances the time that it spends between strategy and oversight. From early indications, I believe that the BP board achieves this balance well. The board is responsible for the direction and oversight of BP p.l.c. On behalf of shareholders; it is accountable to them, as owners, for all aspects of BP's business. It sets the tone from the top. In conducting its business, BP needs to be responsive to other constituencies with whom it comes into contact.

British Airways Plc

Page 47

At the end of the financial year, the secretary met privately with each member of the board to review the performance of the board, its committees and the individual directors, the results of which were presented to, and considered by, the board. In addition, the chairman and non-executive directors typically meet without any executives present at least twice each financial year. At least once a year, the non-executive directors meet under the chairmanship of the senior independent director to review the performance of the chairman, taking account of the views of the executive directors.

British American Tobacco PLC

Page 85

An evaluation of the performance of the board, each of its committees and of the executive and non-executive directors is conducted each year using a series of questionnaires. A broad range of standard topics is covered including the programme of regular board or committee business, board behaviours, group strategy and succession planning.

Different questions are used for assessing the skills and contributions of each of the chairman, the non-executive directors and executive directors, given their different roles on the board.

The survey is updated annually to ensure the process remains relevant to internal circumstances as well as the external environment. In 2009, given the debate around corporate governance generally, extra questions were included about the group's approach to risk, board training and directors' ability to provide effective challenge. In addition, progress against the 2008 board action plan was checked, in particular how the smaller committee membership, introduced in late 2008, has impacted the effectiveness of the audit and CSR committees.

As it did in 2008, the board considered whether to introduce an external facilitator to manage the evaluation. However, it concluded that the company secretary was well-placed to devise updated questions that are relevant and appropriate to the company and that, having attended board and committee meetings throughout the year, the company secretary would also understand, and ensure a full and frank discussion around, any concerns raised.

The responses to all questionnaires formed the basis for one-to-one, confidential interviews conducted by the company secretary with each of the directors and the chairman. Following the interviews, the company secretary collated and analysed the results and prepared separate reports, summarising key points and including non-attributable comments given in individual responses. Board and committee reports were initially discussed with the chairman of the board or relevant committee before being presented by the company secretary

at a board or committee meeting. The main points of discussion and committee action points, if any, were also reported back to the board. Reports on the individual performance of each executive and non-executive director (excluding the chairman) were raised by the chairman with that director as appropriate, and the chairman's performance was discussed initially with the senior independent director before he provided feedback to the chairman.

The outcome of the 2009 board review has confirmed that the directors consider that the board has a good balance of skills, is working well and continues to be refreshed, with two further appointments in 2009. Acknowledging, however, that there is always room for improvement, the process also identified a number of areas for focus in the coming year, including:

- strategic risk management and the group's overall approach to risk;
- a review of board support processes to identify efficiencies and systems solutions;
- further changes to the arrangements for the audit and CSR committees – while smaller meetings have allowed for much more in-depth discussion, particularly around specific risks identified on the group risk register, members believe that holding meetings simultaneously will relieve pressure on the timings of those committees, allowing for more thorough debate or specific briefings of relevance to the committees;
- additional non-executive appointments; and
- a revision to the board calendar from 2011 onwards setting aside a further day in July each year to accommodate longer meetings and/or training.

The formal process in 2009 was also supplemented by an informal meeting in September 2009 for audit committee members to discuss proposals to improve the effectiveness of that committee, and in December 2009 for non-executive directors only and Richard Burrows, by then chairman, at which the board's action plan was considered in further detail.

In addition to the formal board evaluation process, the chairman also discusses the effectiveness and performance of directors immediately before they make themselves available for reappointment. The notice for this year's annual general meeting confirms that the performance of the directors being proposed for reappointment continues to be effective and that they continue to show commitment to their role.

British Land Company PLC

Page 68

The British Land board performance evaluation alternates internally facilitated appraisals with externally facilitated appraisals at appropriate intervals. This year, the internally facilitated formal board appraisal process required each director to give detailed input, the results of which were considered by the chairman, senior independent non-executive director and board and relevant consequential changes made. The appraisal covered, *inter alia*, the board's role, corporate governance, executive and non-executive directors' contributions, information flow and monitoring company performance. The appraisal results were generally strongly positive. The board's goal is for continuous improvement in the results year on year.

The annual appraisal process also includes the senior independent non-executive director meeting to discuss the performance of the chairman with other directors annually, or more frequently as necessary. In addition, the chairman meets with each non-executive director annually to discuss their contribution and the chairman provides the remuneration committee with a written appraisal of the chief executive's performance for the year. Similarly, the chief executive provides the remuneration committee with a written assessment of the executive directors' performance.

British Sky Broadcasting Group plc

Page 38

During the year, the directors carried out a full evaluation of the performance of the board, its committees and individual directors. The evaluation consists of each director meeting individually with the chairman of the corporate governance and nominations committee. The evaluation confirmed that the board was satisfied with the board's overall performance. The non-executive directors also meet separately without the chairman and executive directors present to evaluate the performance of the chairman. Following this year's review, the corporate governance and nominations committee and board have confirmed that all directors standing for reappointment at the forthcoming AGM continue to perform effectively and demonstrate commitment to their roles.

Britvic plc

Page 39

The formal annual evaluation of the performance of the board, its committees and individual directors was undertaken before the year end. This consisted of an internally run exercise led by the chairman with the assistance of the company secretary. The appraisal questionnaire used in connection with the process was wide-ranging and based on questions outlined in the Code, covering both board and committee performance.

The appraisal output is used to identify strengths and development areas and confirmed that the board and its committees were operating effectively. Individual performance was also appraised, based on one-to-one interviews with the chairman or, in the case of the chairman, with the senior independent director following consultation with both the other non-executive directors and the executive directors.

BT Group plc

Page 64

A further review was carried out by the chairman and company secretary through a questionnaire and discussion with directors in April 2009. Maarten van den Bergh, the deputy chairman, reviewed the performance of the chairman taking into account the views of the non-executive directors. The chairman and Maarten van den Bergh's successor as senior independent director, Patricia Hewitt, reviewed the results of the evaluation and agreed and implemented a set of actions to address the points raised. These included:

- the appointment of Tony Ball as a director, to bring broadcasting and telecommunication business experience to the board;
- an increased focus on improving BT Global Services' performance;
- more frequent discussion at board meetings on strategic issues and opportunities;
- building further customer and investor confidence;
- improving the quality and depth of oversight functions.

A further review was carried out in March and April 2010 by the chairman and company secretary through a questionnaire and discussion and the results will be discussed by the board following which an action plan will be produced. It has been agreed that, from now on, the annual board evaluation will be carried out using an external facilitator every two or three years. Separate surveys about audit committee and remuneration committee effectiveness were also carried out and the outcomes of the surveys are reported in their respective reports. The operating committee also conducted its own evaluation, and considered the results.

Bunzl plc

Page 5

The company has a formal performance evaluation process for the board, its committees and individual directors overseen by the chairman, Mr A J Habgood. This includes completion of self-assessment forms by, and individual discussions with, each director. Led by Mr J F Harris, the senior independent director, the non-executive directors also meet without the chairman present to appraise the chairman's performance. These processes were carried out satisfactorily during the year. The chairman periodically holds meetings with the non-executive directors without the executive directors present. Finally, the chief executive, Mr M J Roney, annually presents a management succession plan which is discussed with the chairman and the non-executive directors.

Burberry Group plc

Page 66

The board undertakes a formal and rigorous review of its performance and that of its committees each financial year. In 2009/10, the evaluation was led by the chairman and involved the completion of a detailed questionnaire. The review considered the outcomes of previous evaluations, the current composition and responsibilities of the board and each of its committees, together with the frequency and structure of meetings. In addition, the review considered the contribution and effectiveness of the executive and non-executive directors. Feedback from the review was considered and it was concluded that the board and its committees operate efficiently and effectively.

As a result of the review in 2008/09, it was agreed that the board would dedicate more time to meeting with senior management. In October 2009, the board strategy meeting was attended by senior management from around the world who presented at the meeting.

The evaluation of the chairman, which was led by the senior independent director, was undertaken at a formal meeting of the non-executive directors. The review concluded that the chairman continues to provide effective leadership and that he committed sufficient time to the performance of his duties. The major commitments of the chairman are detailed in his biography on page 61.

The board has agreed that the evaluation of its performance will be undertaken using an external facilitator in 2010/11.

Cable & Wireless Communications plc

Page 44

The chairman led an in-house performance evaluation of the board of Cable & Wireless plc in the form of a detailed questionnaire in May 2009. The findings were collated by the company secretary and presented to the entire board of Cable & Wireless plc for consideration. In the period to demerger, the non-executive directors again met privately, both with and without the chairman present, to consider management performance and succession issues.

The non-executive directors of Cable & Wireless plc also appraised the chairman's performance and carefully reviewed the relationship between the chairman and the executive directors to ensure that the board structure and relationships continued to promote the creation of shareholder value.

Cable & Wireless Communications Worldwide plc

Page 44

The chairman plans to lead an internal performance evaluation of the board and its committees in the form of a detailed questionnaire. The findings will be collated by the company secretary and presented to the board for consideration. During the year, the non-executive directors will meet privately, both with and without the chairman being present, to consider management performance and succession issues. The non-executive directors will also appraise the chairman's performance and carefully review the relationship between the chairman and the executive directors to ensure that the board structure and relationships continue to promote the creation of shareholder value.

Cairn Energy PLC

Page 53

The performance evaluation for 2009 was primarily based upon answers to a high level questionnaire which had been updated since the previous year's evaluation and which focused on the performance of the board. The questionnaire was prepared internally by the company secretary and chairman and as subsequently distributed to all board members and the company secretary. The areas covered in the questionnaire included the effectiveness of the board and board committees, strategy setting, performance against key objectives and the level of information available to the board in relation to Cairn India.

Once a questionnaire had been completed by each member of the board and the company secretary, the chairman held a meeting with each director and the company secretary individually, as appropriate, to discuss their responses. The chairman then reported the results of the process to the board at a board meeting, which discussed the comments and implemented the conclusions. The board and board committees are satisfied that they are operating effectively.

The executive directors and non-executive directors also provided feedback on the performance of the chairman, following which the board (not including the chairman) is satisfied that the chairman's performance is effective and that he continues to demonstrate a high level of commitment to the role.

The performance evaluation process indicated areas for improvement, which have been or are being implemented. Following the performance evaluations, the board believes that all of the directors' performance (including those of Malcolm Thoms, Jann Brown and Simon Thomson, who are standing for re-election at the AGM) continues to be effective and that they demonstrate commitment to the role.

A performance evaluation of the board, the board committees and individual directors will continue to be conducted annually and the method for such review will continue to be reviewed by the board in order to optimise the process.

The executive directors have their performance individually reviewed by the remuneration committee against objectives which are set annually. The bonuses payable to the executive directors under the company's cash bonus scheme (described further in the directors' remuneration report on page 63) are linked directly to the results of these reviews.

Caledonia Investments plc

Page 63

The board conducts an annual formal evaluation of its performance and that of its committees and individual directors. For the year ended 31 March 2010, the evaluation of the board as a whole and of its committees was led by the chairman and was conducted by inviting individual board members to complete a questionnaire regarding the operation and effectiveness of the board as a whole and of its committees, the responses from which were collated by the company secretary and discussed. The evaluation of the performance of the chairman was led by the senior independent non-executive director and involved individual private discussions with all other members of the board (and, in particular, members of the governance committee) on his performance, the results of which were then considered at a meeting of the non-executive directors, without the chairman present. The evaluation of the performance of the chief executive was undertaken by the chairman and the non-executive directors. The performance of the non-executive directors was reviewed by the chairman, the chief executive and the senior independent non-executive director, with the senior independent non-executive director absent in respect of his own performance appraisal. As part of this review, non-executive directors were invited to complete self-assessment questionnaires in relation to their own effectiveness.

The performance of the executive directors, which included further consideration of that of the chief executive, was undertaken by the remuneration committee as part of the annual executive salary review process. The results of the evaluation of the board as a whole and of its committees for the year ended 31 March 2010 were presented in a report to the board. The key conclusions from the evaluation process were that the board could benefit from periodic external views on macro-economic issues and that more resource should be committed to the identification of potential investment opportunities in sectors in which the company does not currently have exposure. The governance committee also formally considered whether the influence of the Cayzer Concert Party on Caledonia's board was in the general interest of the non-concert party shareholders and concluded that it was. The nomination committee reviewed the size, structure and composition of the board in the light of the report to the board.

Capita Group Plc

Page 73

An evaluation of board and committee effectiveness was conducted in 2009. The evaluation took the form of discussions and meetings with the directors in relation to the board and any committee of which they were a member at the time of the evaluation. The evaluation was continuous to ensure a full review was undertaken at points across the year. One area that was raised was the potential effects of changing legislation with the full implementation of the Companies Act 2006. In response to this feedback, additional briefings were offered on this area and undertaken in November 2009. The board concluded that the board and its committees continue to operate effectively in accordance with the Companies Act 2006 and good corporate governance.

The performance of individual executive directors is appraised annually by the chief executive, to whom they report. The performance of the non-executive chairman, Eric Walters in 2009, was reviewed by the non-executive directors, led by Martin Bolland, taking into account the views of the executive directors for the period ending December 2009.

The performance review of the chief executive is conducted by the non-executive chairman, taking into account the views of other directors. Non-executive directors' performance is reviewed by the non-executive chairman, taking into account the views of other directors.

The board considered, as it had in previous years, the merit of using an external body to manage the performance evaluation process. It concluded that it remained appropriate for the deputy company secretary to manage the performance evaluation process and act in accordance with the feedback received. This ensures that actions could be undertaken in line with the requirements of the business without incurring additional costs.

Capital Shopping Centres Group plc

No information – new listing.

Carillion plc

Page 41

In 2009, a detailed internal evaluation of the board's corporate governance procedures and compliance was conducted by the chairman in conjunction with the company secretary. The internal evaluation took into account the views of each of the directors on (i) the role of directors, (ii) the performance of the board, the chairman and the non-executive directors, (iii) board committees, (iv) leadership and culture, (v) corporate governance, (vi) directors' remuneration, (vii) relations with shareholders and (viii) board accountability and audit. The board at its meeting in November 2009 reviewed the results of the internal evaluation and, where required, issues were acted upon in order to further enhance the effectiveness of the board's procedures and working practices. Such an evaluation has been conducted in each of the last eight years and the intention is to repeat it annually. In addition, the performance of each individual director has been reviewed.

Carnival Corporation & plc

No information given.

The Carphone Warehouse Group PLC

Page 29

During the period the balance of skills, knowledge and experience of the directors was reviewed. The board and each individual director also undertook performance evaluations. Using the Higgs *Suggestions for Good Practice* as guidance, the individual directors initially completed separate questionnaires. The results were collated for and analysed by the chairman, the senior independent director, the chief executive officer and the board as a whole. The areas covered included the roles of the executive and non-executive directors, the board, the board committees, the chairman of the company, preparation for and performance at meetings, the effectiveness of each director, leadership, culture and corporate governance. The results were then considered by the board as a specific item of business. The board intends that these exercises or similar ones continue to be carried out each year.

Following such performance evaluation, the chairman confirms that all those non-executive directors seeking re-election at the annual general meeting continue to be effective and demonstrate a commitment to the role, including having time to attend all necessary meetings and to carry out other appropriate duties.

The chairman meets regularly with all the independent non-executive directors usually in the evening prior to a board meeting. This provides the opportunity to raise any questions regarding the performance of the executive directors or in respect of any other matters. The senior independent director also met with the non-executive directors, in the absence of the chairman, to assess the chairman's effectiveness, having first reviewed the results of a performance evaluation questionnaire completed by all the directors apart from the chairman. The board is of the opinion that the chairman had no other significant commitments during the period that would have affected his performance in his role.

Catlin Group Limited

Page 90

The board is committed to ongoing improvement in its procedures and performance, and during 2009 implemented a variety of measures to achieve this. The board commissioned a formal independent third-party effectiveness review, continued implementing recommendations adopted from previous performance evaluations and reviewed on an ongoing basis the quality, content and frequency of information being provided to it by the company. The external effectiveness review focused on board input into group strategy, risk management, dynamics between non-executive directors and group executives, and information provided to the board, especially between meetings. Steps taken following the review included improving the quality and timeliness of information to support board

decisions on strategy, regular presentations to the board by the enterprise risk management team and improved reporting between meetings. In addition, throughout the year the board heard regular presentations from various areas of the business, attended formal professional development seminars and held regular meetings of all non-executive directors in the absence of the executive directors. Other performance reviews undertaken during 2009 include:

- an external review of the effectiveness of the audit, compensation and investment committees;
- review of the effectiveness of the nominations committee;
- performance appraisals of individual directors; and
- review by the non-executive directors of the chairman's effectiveness.

The internal reviews were conducted through a combination of meetings and appraisal forms, and recommendations arising from these reviews were implemented during 2009. For 2010, effectiveness reviews will be undertaken internally.

Centamin Egypt Limited

Page 54

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is constantly reviewed by the chairman. The company does not presently have a formal process for evaluation of the board, the board members, or board committees, though performance is discussed at board level at least annually. An internal evaluation of the board and individual directors took place during the year by way of a strategic planning session, attended by all directors. The company did not utilise any external search consultancy or open advertising during this process.

Centrica plc

Page 39

The board is aware of the importance of continually assessing its own performance in support of the leadership of the group and conducts a formal evaluation of its own performance and that of its committees and individual directors annually. The evaluation was prepared and carried out by the chairman and the general counsel and company secretary in respect of the year ended 31 December 2009. The evaluation process followed up on the 2008 effectiveness review and the board considered the progress made on the previously identified issues. The evaluation focused on the following key themes: board composition; board expertise and knowledge; strategic oversight and delegation of powers; efficiency and effectiveness; board support; risk management and internal control governance; succession planning and improving board performance.

The evaluation process was carried out using a comprehensive questionnaire, which was considered and completed by each of the directors and the general counsel and company secretary. In addition to this, the senior independent director chaired a meeting of the independent non-executive directors in the absence of the chairman to appraise the chairman's individual performance. A consolidated report of the output from the evaluation exercise was prepared for review and consideration by the board. The evaluation report concluded that the board and its committees continue to operate effectively. A small number of actions and improvements were identified. In particular, the board identified the following enhancements, which will be incorporated into the future board programme to ensure that the operation of the board and its committees continue to improve:

- greater focus on the competitive environment both in the UK and in North America;
- greater awareness of potential political and regulatory developments;
- greater visibility of corporate responsibility issues; and
- further post investment reviews.

The chief executive's performance is reviewed regularly by the chairman and the chief executive reviews the performance of the other executive directors. In addition, the remuneration committee assesses the performance of the executive directors in connection with its determination of senior management remuneration levels as explained in the remuneration report on pages 45 to 59.

The board and its committees will continue to review critically their procedures, effectiveness and development throughout the coming year.

Charter International plc

Page 50

Evaluation of the board and its principal committees is conducted by gathering feedback from the relevant board members. This feedback is gathered from two sources: a) a confidential questionnaire eliciting both measurable data and free-format responses and b) individual interviews. The process is run by the charter HR director who collates the results and presents them to the chairman and the board. The individual interviews are between the chairman and board members who give their feedback on board performance against a structured agenda. Board members also give more general comment on the performance of the board and its committees. The chairman is responsible for conducting the chief executive's performance review. The non-executive directors, led by the senior independent director, are responsible for evaluating the performance of the chairman. In doing so, they also take account of the views of the executive directors. The chief executive conducts individual evaluations of the executive directors as part of the company's formal performance management process. Performance is assessed against written objectives.

The results of the 2009 questionnaire and the individual meetings were summarised in a paper submitted to the board by the charter HR director on 3 December 2009. This considered the areas that the directors identified for improvement and set out the way in which they will be addressed. In addition, careful attention was given to those areas that recorded different ratings since the similar exercise in 2008. The board was unanimous in its agreement with the assessment that the board, its committees and individuals continued to be effective and that there had been an overall improvement in effectiveness in 2009. The board valued the continuity of approach and the total confidentiality of the questionnaire and agreed to repeat the process in 2010.

Chemring Group PLC

Page 49

An evaluation of the current performance of the board and its committees, and an assessment of the future requirements, was undertaken during the year, as part of the succession planning for the chairman's retirement. This encompassed a review, by all of the directors, of the strengths and weaknesses of the current board, from which a profile was drawn up for the successor to the current chairman. The external search consultancy retained to recruit the chairman's successor assisted in this process. In addition, the chairman and the non-executive directors considered the individual performance of the chief executive and the finance director as part of the annual remuneration review. Similarly, the performance of the chairman was considered by the non-executive directors during the annual review of his remuneration, and the chairman and the chief executive reviewed the performance of the non-executive directors. No significant issues were identified.

Close Brothers Group plc

Page 30

The board conducts a formal and rigorous performance evaluation each year to assess its own performance and that of its committees and individual directors. The process is led by the chairman, who is supported by the company secretary In 2009, Boardroom Review carried out an independent evaluation of the effectiveness of the board and in 2010 was reappointed to consider the board's progress following the 2009 evaluation. Boardroom Review provides no other services to the board and/or the group.

The comprehensive nature of the 2010 review fulfilled both the Combined Code and new UK Corporate Governance Code's requirement for the evaluation of the board, its committees and the individual directors and took the form of confidential interviews between the external assessor and each director plus a review of relevant papers. Results from the evaluation were collated by the assessor and considered by the chairman and chief executive. Feedback was subsequently presented to and discussed by the board in July 2010.

The 2010 update review highlighted achievements on the development of the board's strategic processes and the strengthening of the governance structure. The report noted the introduction of strategic away days, increased informal board time and site visits to the board calendar. It recommended the introduction of a central training programme to coordinate director training.

In addition to the independent board evaluation process, the senior independent director led a separate performance review in respect of the chairman which involved a review with the non-executive directors (excluding the chairman) and separate consultation with the chief executive. The senior independent director subsequently provided feedback to the chairman on his appraisal.

Cobham plc

Page 39

The board conducts an evaluation of its activities on an annual basis. During 2009, the board engaged an external evaluator to undertake a thorough and objective evaluation. The evaluation included interviews with the board and other members of the senior management team. The board considered the recommendations made and has approved an action plan to address these

Colt Group SA

Page 37

The effectiveness of the board is vital to the success of COLT. During 2008, the board undertook its annual evaluation of its performance and that of its committees and their continuing ability to act as effective bodies. The process is managed by the chairman and the company secretary. The SID led an assessment of the chairman's performance. A detailed online questionnaire was completed by all board members to facilitate the evaluation process. The results were collated by an external agency.

The chairman and company secretary discussed individual responses with board members. The SID discussed the conclusions of the chairman's appraisal with the board, then chairman. Summary results were presented to the board for discussion and to identify improvements for the future.

Questions were both qualitative and quantitative designed to generate a detailed narrative response and to enable the board to measure trends. Comments were invited on a wide range of issues including the contribution of the board to strategy and risk management, management reporting, the decision-making process, the logistics of board meetings, the composition and operation of the board and progress on issues raised in the previous year's evaluation. Particular attention was paid to issues raised by shareholder activists relating to independence and the inclusion of fidelity-related directors.

To supplement the formal annual evaluation the nomination committee conducted an assessment of skill sets and competencies as described on page 36. As recommended by the Combined Code the reviews of directors serving for more than six years were particularly rigorous. Following this comprehensive review, the board has concluded that each director contributed effectively to the board and demonstrated full commitment to the role and that the board and each of the board committees were effective.

Compass Group PLC

Page 46

The chairman has addressed the developmental needs of the board as a whole, with a view to developing its effectiveness as a team and assists in the development of individual skills, knowledge and expertise. During 2008, the board conducted a detailed evaluation of its own performance and that of the audit, nomination and remuneration committees by means of a written questionnaire.

The evaluation focused on several areas, including board structure, functionality, objectives, meetings (and their content), administration, risk management, access to management and governance. The results of the evaluation were considered and discussed by the board and the results have been used to re-assess effectiveness during the year. One specific requirement which was identified in 2008 was the need to widen the non-executive experience on the board with an individual who had suitable international and strategic experience. This led to the appointment of Don Robert in May 2009.

Performance evaluations, including the skills brought to the board and the contributions each director made to it, were carried out for each director. Executive directors' performance has been assessed by the chairman and the group chief executive.

The group chief executive's performance was evaluated by the chairman and the non-executive directors. The senior independent non-executive director led the review of the chairman's performance in consultation with the executive and non-executive directors. The non-executive directors' performance was considered by the chairman and by the group chief executive, as well as by the board as a whole, which re-assessed the results of the questionnaires referred to above.

Cookson Group plc

Page 33

The board evaluates its own performance and effectiveness and assesses the performance of its committees and individual board members on an annual basis. The precise scope of the evaluation varies from year to year and is agreed in advance with the full board. The chairman leads the evaluation process with the assistance of the group secretary.

The performance of the chairman is included in the review and takes into account the views of both the executive and non-executive directors. The chairman's evaluation is conducted by the senior independent director who provides feedback to the chairman. As part of the chairman's evaluation the non-executive directors meet separately with the senior independent director.

The 2009 board evaluation process focused upon key aspects of board performance, including the effectiveness of the company's reaction to the economic downturn, risk assessment and the strategy review process. The review was carried out using a specially designed questionnaire prepared by an independent, specialist organisation in conjunction with the chairman and the group secretary. The questionnaire was completed by the directors and
the group secretary with the results being collated and summarised by the organisation. Each director received a copy of the high level report, which summarised and analysed all responses on a non-attributable basis.

The process also involved a series of discussions between the chairman and members of the board and the group secretary. The full board then considered the report with the chairman and senior independent director adding their own comments based on the outcome of their discussions.

The chairman was judged to have performed satisfactorily against all the measured criteria. Based on the results of the 2009 review the board considered that overall it was operating effectively and that all directors continue to contribute and are committed to their respective roles at Cookson. The board agreed the action items to be addressed as a result of the review. These included a re-examination of group strategy in the light of emerging end-market trends as the global economy recovers. The chairmen of each of the audit, nomination and remuneration committees also reviewed the results of the evaluation of each committee with committee members. All board committees were considered to be effective.

Croda International Plc

Page 40

The annual self-evaluation exercise was carried out under the supervision of the chairman to arrive at an assessment of the effectiveness of the board, the chairman and each of the committees. The exercise employed a questionnaire completed by each board member. A summary of the results was then presented to the board for discussion. The chairman also discussed the comments separately with individual directors as part of their own appraisals. The senior independent director discussed the chairman's performance with the other non-executive directors before feeding back comments to the chairman. The outcome will be a continuing focus during 2010 on succession planning for, and the development of, senior personnel.

Daily Mail & General Trust plc

Page 46

The board conducted its own review of the committee's performance and confirmed that the committee had fulfilled its obligations and been effective in the year under review.

Derwent London plc

Page 51

During the year, the nominations committee carried out a formal appraisal of the performance of the board and its committees. The remuneration committee performed appraisals of each of the executive directors, as part of the salary review process. The performance of the chairman was evaluated by the non-executive directors under the chairmanship of the senior independent director. All of the appraisals were conducted internally based on the guidance contained in the Higgs Report.

Diageo plc

Page 95

During the year, the board, audit committee, nomination committee and remuneration committee each undertook a formal evaluation of its own performance and effectiveness and each of the committees also reviewed its terms to reference. Internally produced questionnaires were used for the performance evaluation process. The board questionnaire focused on the performance of the board throughout the past year in the areas of strategy, performance management, management succession, risk management and boardroom dynamics. The chairman additionally held individual meetings with each director.

In concluding that it and its committees continued to operate effectively, the board also identified areas to further enhance its effectiveness. As a result the annual agendas of the board and its committees have been reviewed and will be updated to reflect the feedback received.

The performance of each director, who met individually with the chairman, was evaluated by the chairman based on self-analysis and input from the other directors. The chairman's performance was evaluated by the directors, using an internally produced questionnaire which was completed and returned to the senior non-executive director, who discussed the feedback in a meeting with the executive and non-executive directors and then privately with the chairman.

A report on the individual performance evaluation process was given to the nomination committee. Following the performance evaluation of individual directors, the chairman has confirmed that the non-executive directors standing for re-election at this year's AGM continue to perform effectively and demonstrate commitment to their roles. It is the board's intention to continue to review annually its performance and that of its committees and individual directors.

A decision is taken each year on the performance evaluation process to be used. In respect of the coming year's evaluation process, no decision has yet been made whether to continue with the same method of internal evaluation or to engage an external facilitator.

Drax Group plc

Page 56

The effectiveness of the board is vital to the success of the group. During the year, the company undertook a review to assess the performance of the board and its committees. This was facilitated by Equity Communications Limited, a consultancy specialising in providing assurance to listed companies on best practice in company regulation and corporate governance.

The directors and company secretary each completed questionnaires on the board and committee performance and on the performance of each individual. Equity Communications Limited met with each individual to discuss the questionnaires and issues arising from them, and attended a board meeting to present its report on the process and its findings. Individual feedback sessions were later conducted by the chairman, and by the senior independent director in relation to the chairman.

The conclusions were that the board and its committees were effective and performance compared well with that of other companies, and that each director continued to perform effectively in their role.

Dunelm Group plc

Page 19

The chairman appraises the performance of the chief executive with regard to personal objectives agreed at the start of each financial year. The chief executive similarly appraises the performance of the finance director.

There is a well-established process for evaluating the performance of the chairman, the other non-executive directors, the board committees and the board as a whole. This takes the form of a board meeting convened solely for the purpose of such review. During the course of this meeting, there is the opportunity for the chairman or other individual directors to be asked to leave the discussion whilst their performance is assessed.

EasyJet plc

Page 41

During the year, the Interim chairman undertook a performance review of the board using an external evaluation tool provided by a corporate advisory company. The process involved a detailed questionnaire completed by each of the directors, one on one discussions with individual directors and a separate review of the outcome by the full board in a plenary session.

The performance of the board (including the Interim chairman), the board's committees and also that of the individual board directors was reviewed as part of the same process.

The board considered that given the short period of time for which Sir David Michels had held the position of interim chairman it would not be appropriate to have his performance reviewed as chairman by the senior independent non-executive director prior to 30 September 2009.

Electrocomponents plc

Page 29

During the year, the chairman met with the non-executive directors, without the executive directors present. In addition, the board has carried out a formal evaluation of its own performance. The process comprised the company secretary issuing a detailed questionnaire covering the board and its committees to board members.

The questionnaire covered issues such as effectiveness of meetings, how well strategy is tested and developed, board composition and succession planning and risk management controls. The responses to the questionnaire were collated independently by the company secretary, who then prepared reports for each of the chairmen of the board and relevant committees.

The reports were discussed at the board and the relevant committees and issues discussed included how best to review strategic issues, health and safety reporting, board succession and agenda planning.

EnQuest plc

No information – new listing.

Essar Energy plc

No information – new listing.

Eurasian Natural Resources Corporation PLC

Page 60

As 2008 was the first full year in which the board worked together, the decision was taken to appoint an external consultant to carry out the first annual board evaluation. This was facilitated by means of an in-depth structured interview with each director. Questions focused on the operation of the board and its committees, the contributions of individual directors and a review of the chairman's performance. The results of the review were then considered with the chairman and subsequently discussed collectively by the board.

The board was satisfied that considerable advances had been made during the first year of working together but additional progress was to be expected over time. There will be additional follow-up meetings during the early part of 2009 to ensure that further improvements in effectiveness are implemented during the year and in 2010.

The non-executive directors, led by Sir Richard Sykes as senior independent director, carried out an evaluation of the chairman.

Experian plc

Page 61

The performance and effectiveness of the board, each of its principal committees and the directors is evaluated annually. This year, the board and committee evaluation process was undertaken internally and reports on the findings were presented to the board and its principal committees. In addition, the chairman evaluated all directors in respect of their duties, with the senior independent director leading a similar process, including a separate meeting of the non-executive directors, in respect of the performance of the chairman.

The annual evaluation process did not highlight any areas of material concern and the directors are satisfied that the board and its principal committees operate effectively. In addition, the chairman has concluded that each director continues to contribute effectively and demonstrates full commitment to his/her duties.

Some specific board performance highlights that were noted during the evaluation process included the continuing effective relationships (at board level and between the board and senior management), the progression of the risk management agenda and the role of the board in contributing to the sound financial performance, and enhancing the effectiveness, of the group.

Ferrexpo plc

Page 39

A process of evaluation of the board and its audit and remuneration committees has been conducted by the chairmen of these bodies. All directors and committee members completed a questionnaire and the results have been analysed and discussed by those concerned. The senior independent director and the other non-executive directors have evaluated, and will continue to monitor, the performance of the chairman.

First Group plc

Page 31

During the course of the year, the board undertook an evaluation of its performance. The chairman led the process, assisted by the company secretary. The objectives of this exercise were to ensure that the board, its committees and each individual director continued to act effectively and to fulfil the duties and responsibilities expected of them, and also to identify any additional training requirements. A tailored questionnaire was developed, which each director completed.

The responses were analysed and discussed at a meeting of the board. The senior independent non-executive director led a process of evaluation of the performance of the chairman. No significant issues were raised in the course of the evaluation process.

F & C Asset Management plc

Page 25

In order to review the effectiveness of the board, its committees and the individual directors, the board carried out a thorough appraisal process in September 2009, incorporating the completion of a questionnaire and interviews with the chairman, in respect of the year under review. This encompassed the operation and performance of the board and the audit and management engagement committee and appraisals of the individual directors. The senior independent director conducts the chairman's appraisal. The board does not consider that the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process that has been adopted, but the option of doing so will be kept under review.

Fresnillo plc

Page 75

During the year, an evaluation of performance of the individual directors and the board was carried out by way of anonymous questionnaires that were collated by the company secretary and then reviewed and discussed by the board in October 2009. The responses to all questions relating to the performance of the board were very positive. Suggestions for improvement included that the board should spend more time on strategy and also focus more on monitoring risk on an ongoing basis. These suggestions will be considered further during 2010.

G4S plc

Page 34

The performance of the board and its committees has been evaluated using a questionnaire-based self-assessment process which was introduced and informed by the external consultancy which conducted an evaluation of the performance of the board and the board's committees in 2008.

In addition, the chairman held individual meetings with each of the directors to discuss their performance and their view of the board as a whole. Reports generated by this process have been considered by the board, the chairman and by each of the audit and remuneration committees and a number of actions have been agreed as a means of improving performance. As a result, more presentations will be made to the board by operational managers, even more board participation in strategy development will be facilitated and the board will give greater direction to the board committees. The remuneration committee concluded that it should provide more explanation of its activities and the audit committee is to give greater guidance on the issues which are to be presented to it.

The chairman held meetings with the non-executive directors without the executives present and a review of the performance of the chairman by the non-executive directors, without the chairman present, was led by the senior independent director.

GKN PLC

Page 46

The board has undertaken its annual formal evaluation of its own performance and that of its committees. The evaluation process was based on a questionnaire which covered issues such as board composition, role and remit, strategy, operational reporting, stakeholder engagement, and controls and risk management. A number of directors provided their responses to the questionnaire through one-to-one discussions with the company secretary, whilst others completed it online. The results of the evaluation and recommendations for improvements were reported to the relevant committees before the board as a whole agreed appropriate changes. These included:

- a change in frequency of scheduled board and executive committee meetings;
- disbanding of the chairman's committee;
- a review of arrangements for the provision of external advice to the remuneration committee;
- extending circulation of audit committee papers to executive directors;
- the addition of a standing item on board agendas to enable committee chairmen to brief the board on discussions and decisions at committee meetings; and
- the identification of further training opportunities on matters of relevance to directors in that role and as members of board committees.

The individual performance of the directors was also evaluated through one-to-one interviews with the chairman. To assist this process, a number of assessment areas were identified in advance and used as a framework for conducting the appraisal interviews. Sir Peter Williams, as senior independent director, led the review by the non-executive directors of the chairman's performance, which took into account the views of the executive directors. Similarly, the views of the other directors were taken into account by the chairman in his review of the chief executive's performance. No actions were considered necessary as a result of any of these evaluations.

GlaxoSmithKline PLC

Page 62

In 2008, the board commissioned Dr Long of Boardroom Review to act as an independent facilitator for the board's evaluation process. The actions from this process formed the basis of the board's internal review process for 2009, namely:

- identify how to utilise the time spent in board and committee meetings more effectively and facilitate further contribution by non-executive directors on a broader range of issues;
- seek to enhance further the non-executive directors' continuing education process beyond their initial induction;
- provide greater visibility to the board of GSK's executive talent and the management succession planning process.

The senior independent director, Sir Robert Wilson, conducted the 2009 evaluation of the performance of the chairman, the board and its committees and directors in collaboration with the committee chairmen. The board evaluation process included a one-to-one interview with each director. The topics discussed included a variety of aspects associated with board effectiveness including board and committee roles and responsibilities, culture and dynamics, processes and support and individual effectiveness. Feedback from the evaluation was provided in the form of a written report to the board, which then discussed its findings.

The chairman of each of the board committees undertook separate evaluations and the outcome of each was reported to the respective committee and the board. The board review concluded that there was a high level of satisfaction with the way in which Mr Witty had grown into the CEO role and with the openess of dialogue between the executive directors and non-executive directors. Board members also met separately, without the chairman being present, to discuss the chairman's performance and contribution. There was also a high level of confidence in Sir Christopher's chairmanship of the board. He had the unanimous and unequivocal support of the other directors, both executive and non-executive.

The board and its committees were believed to be operating effectively at a high level. The board agreed the following actions after discussion of the evaluation report:

- identify how to increase further the amount of board time devoted to strategic discussion and the indicators of success in delivery of the R&D pipeline;
- devote more time to focused consideration of the company's key risks on an ongoing basis;
- provide the board with more regular updates and insights into the newly enhanced management succession planning process.

The board has taken a policy decision to undertake an externally facilitated evaluation process every three years. In the intervening period the review will be facilitated by the SID or the chairman.

Great Portland Estates plc

Page 57

The board undertakes a formal internal evaluation conducted by the senior independent director of its own performance and that of its committees and individual directors annually, alternated with an evaluation, at least every fourth year, conducted by external consultants. This year, the performance evaluation was undertaken internally and involved each director, including the chairman, completing a comprehensive questionnaire and then having one-to-one interviews with Charles Irby as the senior independent director assisted by Desna Martin as the company secretary. The process covered board, committee and personal performance. The output including the results of the questionnaire; a summary of the interviews; and the recommendations and actions required, was reviewed at the March 2010 board meeting as part of a wider corporate governance review. Overall, it was concluded that the board and its committees continued to operate effectively with appropriate procedures put in place for minor areas identified for improvement

Greene King plc

Page 92

The board believes it is appropriate to undertake a regular performance evaluation of the board, its committees and individual directors. It has determined that an internal process of evaluation is most appropriate, to enable first hand input from individual directors to be obtained. An evaluation exercise was undertaken in January and February 2010, with the results reported to the board at the March board meeting. The evaluation was conducted by means of questionnaires circulated to all members, the results of which were then discussed between the chairman and chief executive. The questionnaire covered a range of topics including board structure and composition, board processes, corporate governance, composition and effectiveness of its committees and communications with shareholders and analysts. As a result of the evaluation some changes will be made to the board agenda, to ensure that a wide range of topics can be discussed.

The board has confirmed that it is satisfied that it and its committees are operating effectively. Between evaluation exercises an open dialogue exists between all board members enabling issues to be raised and dealt with as they occur. The performance of the executive directors is reviewed annually by the remuneration committee in conjunction with their annual pay review and the payment of bonuses. The performance of Tim Bridge, chairman, was reviewed by the non-executive directors, led by Norman Murray, the senior independent non-executive director, taking into account the views of the executive directors.

Halma p.l.c.

Page 50

The board evaluates its performance and that of the remuneration, audit and nomination committees at least annually with each committee also evaluating its own performance. Each year, we consult the board to determine whether an external facilitator would enhance our process. To date, we have concluded that the current, open climate that the board enjoys ensures a full and frank discussion of all matters, so an external facilitator is unnecessary. For 2009/10, the evaluation commenced with an updated self-assessment questionnaire, the results of which were compiled by the company secretary and discussed by the board at the February 2010 board and committee meetings. The board also met in February 2010, separate from any scheduled meeting, for a general discussion on board effectiveness followed by a meeting of the executive directors with the chairman, the executive directors with the senior independent director, a meeting of the chairman and non-executive directors, and then a meeting of the non-executive directors without the chairman present. The outcomes of these meetings were then fed back to individuals by the chairman, senior independent director or chief executive, as appropriate. Overall, our process confirms that the blend of behaviours and skills around the Halma board table are well-suited to the task and consistent with group values. With a board that is free to openly express concerns comes more considered outcomes emphasising collective responsibility, transparency, clarity and sustainable conduct

Hammerson Plc

Page 48

The effectiveness of the board and its committees is vital to the success of the company and they therefore monitor and evaluate their own performance and the contribution made by individuals. An external evaluation of the board's effectiveness and procedures, and those of its committees, was undertaken in 2007. During 2008 and 2009, further evaluations were undertaken by the company secretary. These evaluations concluded that the board and its committees were operating effectively, but highlighted that some minor changes in processes, reporting and communication would further increase efficiency. These changes have all been implemented under the guidance of the chairman and the company secretary. It is intended that the next board evaluation, which is due later in 2010, will be undertaken externally.

The chairman meets as necessary, but at least twice each year, with the non-executive directors without executive directors present. The senior independent director, having first sought the views of executive directors, chairs an annual meeting of non-executive directors without the chairman in order to appraise his performance and to provide an opportunity to address any other matters which the non-executive directors might wish to raise.

Hargreaves Lansdown Plc

Page 25

Individual appraisal of each director's performance is undertaken either by the chief executive or chairman each year and involves meetings with each director on a one-to one basis. The non-executive directors, led by the senior independent director, carry out an appraisal of the performance of the chairman.

Hays plc

Page 52

The external effectiveness review found that the board has responded well to the recent economic challenges. Board members work with unity of purpose, focus and commitment. The structure of the board is considered to be appropriate and relationships between board members are constructive. The chairman provides strong leadership, encouraging open debate and challenge and the board is appraised of all material matters. The board is aligned around the strategic objectives facing the business. The committees are well-chaired and their structure and responsibilities are clear and appropriate. The process for the succession of the chairmanship was particularly well-managed by the nomination committee. Looking forward, the board will continue to focus on ensuring that it has the appropriate level of skills and experience in relation to the strategic objectives of the business.

Various actions arising from the review will be addressed in the coming year, including increasing the time spent on strategic debate, facilitating more board time with the executive directors outside scheduled meetings and further operational focus in relation to efficiency improvements.

Henderson Group plc

Page 24

The board reviews, on an annual basis, whether the evaluation of board performance should be conducted using an external facilitator. The board decided that, for 2009, there was greater value conducting the process internally.

The directors conducted a formal evaluation, during the period from September to December 2009, of the performance of the board, board committees and individual directors (including the chairman). As Robert Jeens and Shirley Garrood had only just joined the board at the time the evaluation exercise was being conducted, they did not participate in the evaluation exercise.

The evaluation exercise regarding the board and board committees involved directors completing a questionnaire about board composition, board process, group strategy and interaction with shareholders; a similar approach was followed for each committee. The results of the evaluation were collated and presented to the board, which then decided what changes it would make to the way it operates, including an assessment of the changes which have been implemented since board meetings have taken place in Dublin; a request for more reports about the company's competitors; and a request for more focused information on retail sales and marketing following the New Star acquisition. The directors also assessed the process by which the nomination committee had recommended Robert Jeens and Shirley Garrood to be appointed as directors during 2009.

With regard to the evaluation of individual directors, the chairman held a formal evaluation meeting with each of the other non-executive directors and the chief executive, taking into account the views of the directors who had completed a questionnaire about the skills and experience of the members of the board. Although Robert Jeens and Shirley Garrood had not participated in the evaluation exercise, the chairman took the opportunity to meet with each of them individually to discuss and review their respective roles and expected contribution at board meetings. The chairman's own performance evaluation was led by John Roques, who was the senior independent director at that time. This involved the directors completing a questionnaire, which focused upon the chairman's performance. In addition, the chairman conducted a self-evaluation which was disclosed to the senior independent director. After taking account of the results of these questionnaires, the senior independent director then met with each director participating in the evaluation exercise (excluding the chairman) and evaluated the chairman's performance. The senior independent director later agreed his findings at a meeting with only other non-executive directors present (excluding the chairman) and then met with the chairman to discuss the outcome of the evaluation.

Heritage Oil Limited

Page 51

During the year, the chairman led a review and assessment of the board and its effectiveness. This exercise, in which all of the directors were involved, considered the processes around how the board works, as described above; the effectiveness of board committees and their chairmen; and areas such as board composition, dynamics and leadership. The assessment concluded that the board and its committees remain effective in terms of operations, decision-making and leadership. During the year, the board has built on the review; in particular by reviewing the succession planning process and by making the changes described in the induction and continuing professional development part of this report.

Hikma Pharmaceuticals PLC

Page 55

As required by the Combined Code, a formal evaluation of the performance of the board, the chairman, the committee chairmen and the individual non-executive directors was undertaken during the period under review.

During 2009, the board reviewed its approach to board evaluations and approved a three year evaluation process, which includes seeking external consultation every third year. In 2009, the board evaluation was managed internally by the senior independent director. In 2010, the board will continue to review its performance internally with the assistance of a consultant and, in 2011, it will seek an externally moderated evaluation. This year, the board refreshed its approach to the appraisal process using a new format of questions specifically targeted on the quality of decision-making and information made available to the board. As in previous years, the evaluation process was led by the senior independent director, who met with each of the directors and the committee chairmen to undertake an appraisal of the performance of the board, its committees and each of the individual directors.

The results of the evaluation process and feedback were reviewed with the chairman and formed part of his appraisal of the overall effectiveness of the board and its members. Overall, the review concluded that the board functions well, with good communication, and with issues raised in good time to allow for consultation, debate and effective decision-making. Recommendations were made regarding the enhancement of some of the information provided to the board and amendments to the board timetable and these are being implemented in 2010.

In addition to the matters set out above in respect of all directors, the senior independent director met with the non-executive directors to undertake a formal appraisal of the performance of the chairman. This review addressed the effectiveness of his leadership, the setting of the board agenda, communication with shareholders, internal communication and board efficiency.

The non-executives concluded that the chairman gave clear leadership and direction to the board, and where necessary implemented changes and managed the agenda to reflect the changing business environment in 2009.

Hiscox Limited

Page 35

Periodically, the chairman reviews the performance of the board as a whole. He meets with the non-executive directors separately and as a body to discuss a wide range of issues including the performance of the executive directors.

In addition, the non-executives periodically meet without the chairman and executive directors to discuss a similarly wide range of issues concerning the company including as appropriate the performance of the chairman and the executive directors. No major issues concerning board performance have been raised during the year.

The chief executive held one-to-one meetings with each of the executive directors to discuss their performance over the year and to set targets for the year ahead.

Hochschild Mining plc

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The board is committed to the process of self-evaluation as a means of ensuring continued improvement in fulfilling its responsibilities. With this in mind, the approach to board evaluation was refreshed for 2009 by replacing questionnaires with one-on-one interviews undertaken by the senior independent director and the company secretary.

The questioning sought to elicit the directors' views on, amongst other things, the workings of the board, committees as well as board composition and process. The findings were considered by the chairman and the senior independent director and a number of recommendations arising from the process were considered and approved by the board. The recommendations principally relate to the continuation of efforts in respect of contingency planning at board level and board process.

A section of the interviews carried out was dedicated to evaluating the chairman's performance, the outcome of which was collated by the senior independent director and collectively considered by the non-executive directors before the recommendations were relayed to the chairman.

Home Retail Group plc

Page 55

A formal evaluation of the performance of the board and its committees was conducted during the year. The functioning of the board, board processes and interaction with management were discussed and opportunities for improvement were considered. In addition, the audit and remuneration committees conducted internal reviews of their effectiveness, taking into account the views of senior management working with these committees. Individual appraisals of directors have been undertaken by the chairman.

Under the leadership of the senior independent director, the non-executive directors met without the chairman present to appraise the chairman's performance, taking account of any views expressed by the executive directors.

Homeserve PLC

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The board has implemented a formal process for reviewing its own effectiveness, that of its remuneration and audit committees and its individual members. In addition, it continued to ensure that regular meetings of the non-executive directors were held without the executive directors, and at least once a year, without the chairman present, in order to evaluate his performance. The evaluation process, which was conducted by the chairman and company secretary, was concluded in March 2010. Directors completed evaluation questionnaires and a formal written report summarising their views and containing recommendations to further improve the effectiveness of the board was prepared and reviewed by the whole board in March 2010. The board concluded that it was operating effectively, although a number of recommendations for further improvement were approved.

HSBC Holdings PLC

Page 306

In October 2009, Boardroom Review was commissioned to prepare a report on the effectiveness of the board and its committees. The objective of the review was to assess the quality of the board's decision-making and debate, its overall contribution to, and impact on, the long-term health and success of HSBC Holdings, and its preparation for future challenges. The Boardroom Review assessment was used to facilitate the board's evaluation of its performance and that of its committees and individual directors' performance. There are no conflicts of interest between HSBC and Boardroom Review, which does not offer other services such as executive search, corporate finance or strategic advice.

The Boardroom Review report was prepared following structured interviews with each of the directors and the group company secretary and has been discussed by the board. The factors assessed in the report that are associated with board effectiveness include board roles and responsibilities, individual and collective contribution, board processes, committee processes and roles, and the effectiveness of the group chairman. The report has been used by the group chairman in his evaluation of the performance of each director and by the non-executive directors, led by the senior independent non-executive director in their evaluation of the performance of the group chairman. The review concluded that the board and its committees were functioning effectively. It is the intention of the board of HSBC Holdings to continue to review its performance and that of its 307 directors annually with external facilitation of the process at least every third year. The group chairman has confirmed that all of the non-executive directors continue to perform effectively and to demonstrate commitment to their roles. The board has approved actions arising from the performance evaluation for implementation. A quarterly status report will be used to monitor progress. During 2009, the board received quarterly updates on the actions arising from the 2008 board performance evaluation, all of which have been implemented.

ICAP plc

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During the year, the board evaluated its performance and that of its committees and individual directors. This was done by way of a questionnaire which was completed by each director to evaluate effectiveness and accountability and by individual meetings with the chairman. The collective results were then discussed by the board with actions agreed. The chairman's evaluation was undertaken by James McNulty as the senior independent director in consultation with other directors. The board has considered and agreed that each of Charles Gregson, Matthew Lester and James McNulty, who are standing for re-election at the annual general meeting, continue to perform effectively and to demonstrate commitment to their roles

IG Group Holdings plc

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During the year, the board carried out an evaluation of itself and its committees. The evaluation consisted of one-to-one discussions between the chairman and directors including meetings with the non-executive directors without the executive directors being present. The results of the evaluation were discussed at a board meeting in July 2010. The performance of the individual executive directors, other than the chief executive, is appraised annually by the chief executive, to whom they report. The performance of the chief executive is appraised annually by the chairman. The performance of the chairman is reviewed by the non-executive directors, led by the senior independent non-executive director (Roger Yates), taking into account the views of the executive directors, following which Roger Yates gives feedback to the chairman.

IMI plc

Page 44

An internal evaluation of the board, its committees and individual directors, was commenced in 2009 and the chairman reported on it to the board in March 2010. This process included questionnaires and interviews and appropriate follow-up discussions involving the chairman and group Human Resources director. In addition, the directors met with the senior independent director regarding the performance of the chairman and the chairman met individually with each of the directors to canvass their views. The board received the findings of the evaluation in March 2010 and the directors confirmed that the board is fulfilling its responsibilities appropriately. Actions agreed as a result include the establishment of a new risk committee of the board including non-executive directors and further developing succession planning at board and senior executive levels. The evaluation concluded that the board and its committees were effective and that each director demonstrated a valuable contribution. The contribution and performance of individual directors standing for election or re-election is commented on in the notice of the annual general meeting issued to shareholders with this annual report.

Imperial Tobacco Group PLC

Page 43

During the year, with the assistance of an external consultant, our board formally reviewed and evaluated its performance, together with the performance of its committees and individual directors. Feedback from each director was obtained through detailed questionnaires which were used as the basis for the overall evaluation of the board and its committees and feedback discussions between each director and the chairman. The results were discussed by the board at its meeting in September 2009.

Our senior independent director met with the non-executive directors and the board, without the chairman present, to consider the performance of the chairman. After taking account of the results of the chairman's formal performance evaluation, our senior independent director provided feedback to the chairman on a one-to-one basis.

Inchcape plc

Page 47

Led by the chairman and supported by the group company secretary, a performance evaluation questionnaire was used, covering the effectiveness of the board, each committee's performance against objectives, preparation for and performance at meetings and corporate governance matters. An internal review was considered most appropriate in 2009 to allow changes in composition and operation to bed down.

Focus

The change in chairman and composition of the board in 2009 provided an opportunity to review how the board processes supported the effective discharge by the board of its duties. In conjunction with this review, we have:

- re-issued the schedule of board meetings, with six to eight meetings per year held over two successive days;
- increased the number of scheduled audit committee meetings.

Identification of actions

Following the evaluation, the board members concluded that appropriate actions have been identified to address areas that could be improved and that, overall the board and committees continued to perform effectively.

Performance evaluation

The chairman evaluates the performance of the non-executive directors and met each of them individually to discuss performance. The non-executive directors met without the presence of the chairman to evaluate his performance.

Conclusion

Following the performance evaluation process, the chairman has confirmed that the non-executive directors standing for election at this year's AGM continue to perform effectively and demonstrate commitment to their roles. The board will continue to review performance annually. In addition to the annual review process, the board receives regular updates on best practice and will, as appropriate adopt changes in practice during the course of the year.

Informa PLC

Page 39

The board utilises a formal and rigorous process, led by the chairman, for the annual evaluation of the performance of the board, its principal committees and individual directors. On appointment the directors are made aware that their performance will be subject to evaluation.

For 2009, the evaluation was performed by the chairman who conducted a series of focused interviews with each member of the board in his or her capacity as a director and, where applicable, as a member or chairman of a principal committee. The findings and recommendations of the review were presented to the board as a whole, with a view to implementing any recommendations made to improve the overall effectiveness of the board during 2010. The non-executive directors, led by the senior independent director, also met without the chairman present to conduct an evaluation of the chairman's performance.

Inmarsat PLC

Page 40

The effectiveness of the board is an essential element of the company's effective and efficient performance. During 2009, the board and each of the audit, remuneration and nominations committees undertook performance evaluations. The main elements in the evaluation process were:

- individual directors and committee members completed separate evaluation questionnaires regarding the processes of the board and its committees, their effectiveness and where improvements could be considered. They also undertook a peer review in which they assessed their fellow directors' performance;
- each of the non-executive directors had a discussion with the company secretary;
- the results were compiled and analysed by the company secretary and circulated to the full board; and
- the board considered the results of the evaluation process as a specific item of business.

The evaluation process concluded that during the year, the board and its main committees had functioned efficiently and effectively with a good balance of the necessary skills required and that the individual directors had also met the standards expected of them, with each making a significant contribution to the company. The non-executive directors remained highly supportive of the directors and executive management teams and expressed their appreciation of the culture of openness and transparency within the group.

The issues identified during the evaluation process related to the skill set of the board and the need to keep this under review, ensuring strategy discussions remained regular agenda items as well as part of detailed strategy sessions and providing regular updates to the board on actual performance compared to any business plans of board-approved acquisitions or investments.

A performance evaluation of the board will continue to be conducted annually and the process for such evaluation will be reviewed by the board, considering each year how this will be undertaken.

InterContinental Hotels Group PLC

Page 42

Performance evaluations of the board and the directors were undertaken for 2009. An independent third-party facilitator assists in the performance evaluation in alternate years. The 2009 evaluation involved such external assistance.

The 2009 board evaluation, including that of the chairman and the executive directors, involved completion of questionnaires and the chairman having discussions with each director individually.

The board received feedback through a presentation at a meeting of the full board, and the findings were discussed. It was concluded that the board was operating in an effective manner and areas where more emphasis could be considered were identified and tabled for further action.

With regard to the performance of individual directors, as part of the evaluation process, the chairman held meetings with each director

and it was concluded that they continue to make an effective contribution to the work of the board. All directors are well-prepared and informed concerning items to be considered by the board, have a good understanding of the group's business and retain a strong commitment to their roles.

During the year, the non-executive directors met together without the chairman present, under the chairmanship of the senior independent director, to appraise the chairman's performance. The outcome of this appraisal was positive.

The work and effectiveness during the year of the audit, remuneration and nomination committees were also evaluated. These reviews concluded that each committee was operating in an effective manner.

Intermediate Capital Group plc

Page 55

In line with the requirements of the Combined Code, the board reviews its own performance annually using a predetermined template designed as a tool to facilitate the evaluation process. The assessment covers the functioning of the board as a whole and includes a review of the effectiveness of the board committees. The board considers the results of the performance evaluation when making its recommendations regarding the re election of directors. The board does not consider it necessary to employ the services of an external third party to conduct the evaluation process. A review was performed in July 2008 and the board concluded that its performance and that of its committees, chairman and directors were satisfactory.

International Power plc

Page 85

In respect of board performance for 2009, the board appointed an external facilitator (Professor Rob Goffee of the London Business School) to carry out a performance assessment. This took the form of a questionnaire, the answers to which formed the basis of one-to-one interviews between Professor Goffee and each of the directors. The results of the answers to the questionnaire and the issues that arose in the interviews were then compiled in a report and presented to the board. The results of the board assessment were very positive. In particular, the board leadership and culture scored well, as did the level of the non-executive directors' experience, expertise and independence and the balance of the executive management team. The contribution by individual directors to board and committee meetings was considered to be high.

Intertek Group plc

Page 48

Once again, the board engaged in a performance evaluation process led by the chairman comprising of a series of detailed questionnaires which provide a framework for the evaluation process. This provides a source of information not just on the board's performance but also on that of individual directors and the chairman. It also provides the chairman with a means of making year-on-year comparisons. There are questionnaires for each of the following: the board; each individual director; and the audit and risk, nominations and remuneration committees.

This annual evaluation of the effectiveness of the board and its committees ensures that the performance of each individual director and the functioning and constitution of the board and each committee are properly measured and debated.

The chairman assesses the individual performance of each director, taking into account discussions with other directors. The senior independent director has discussions with the other executive and non-executive directors, without the chairman being present, in order to appraise the chairman's performance during the year. For the year under review, these assessments concluded that the information supplied to the board was extensive and informative. The assessment highlighted a wish for several presentations by senior managers to be made to the board during 2009, which took place and such presentations will continue during 2010. The performance of the board and each director was, and is, effective, and all directors demonstrate full commitment in their respective roles to the company evidenced, *inter alia*, by the board and committee attendance records set out in this report. The evaluations further demonstrate that the board has an appropriate set of skills, that all the directors add value to the overall effectiveness and success of the group, and that no substantial issues have arisen out of the evaluation process.

Invensys plc

Page 32

The board has a formal review process that covers an evaluation of the performance of the board and its committees, and an appraisal of the performance of individual directors (including the chairman). In respect of the individual evaluations, all members of the board are asked to assess themselves and provide feedback on other directors. The evaluations are led as indicated below:

Board member 2009/10 evaluation led by

Chairman	Senior independent director
Senior independent director and other non-executive directors	Chairman
Executive directors	Chairman and non-executive directors

For the evaluation of the board and its committees, directors are required to complete a questionnaire and provide comments on procedures and effectiveness. The process involves assessment by reference to the relevant roles and responsibilities under review, the terms of reference of the committees, and best practice.

Results of the evaluation provide a basis for the continuing improvement in the board's procedures, action plans and objectives for the following year. The board is satisfied that each director is committed to his role and that the board and each of its committees remain effective.

Investec plc

Page 204

The last evaluation of the board, as required by the London Combined Code A.6, was conducted in 2008. The next evaluation of the board, its committees and individual directors will be conducted during 2010 and annually thereafter.

ITV plc

Page 47

The board has established a formal process for the annual evaluation of the performance of the board, its committees, and individual directors (with particular attention given to those who are due for re-election) in accordance with the requirements of the Code. The directors are made aware on appointment that their performance will be subject to an annual evaluation and that a director would not be put up for re-election at an AGM unless the chairman has decided that they continue to perform effectively and show commitment to the role.

Some of the actions taken during the year resulting from the 2008 evaluation include introducing more discussion on the corporate domain including the competitive and regulatory environment, giving more attention to stakeholder priorities and shareholder views, and reviewing the size and composition of the board.

An internal evaluation of the effectiveness of the individual directors of the board and its committees was carried out in 2009, led by the senior independent director. The evaluation process included a confidential written questionnaire with questions covering a range of issues such as board structure, board processes, board roles and responsibilities, the board's relationship with management, board agendas, committee processes, individual effectiveness, training and continuing professional development.

The results from the evaluation process were collated and passed to the board for consideration. The review made the following suggestions, amongst others, for enhanced effectiveness:

- to simplify board reporting, ensuring that non-critical items are kept to a minimum allowing the board to focus on key strategic and operational issues; and
- to focus on succession planning and leadership development.

The board will review the recommendations and adopt new processes and procedures during the year as appropriate.

Induction and continuing professional development
The company has a policy and programme for induction and continuing professional development. On appointment, each director takes part in a comprehensive induction programme where they:

- receive information about the group in the form of presentations by executives from all parts of the business and on the regulatory environment;
- meet representatives of the company's key advisors;
- receive information about the role of the board and the matters reserved for its decision, the terms of reference and membership of board committees and the powers delegated to those committees;
- receive information about the company's corporate governance practices and procedures and the latest financial information about the group; and
- are advised of their legal and other duties and obligations as a director of a listed company.

This is supplemented by visits to key locations, including studios and regional sites, and meetings with key senior executives and with major shareholders where appropriate. During their period in office, the directors are continually updated on the group's businesses and the competitive and regulatory environments in which they operate. This is done through:

- regular updates on changes affecting the group and the market in which it operates through written briefings and meetings with senior executives across the group and from meetings with key advisors;
- regular updates on changes to the legal and governance requirements of the group and in relation to their own position as directors; and
- presentations given before board meetings on business matters and technical update sessions from external advisors where appropriate.

The directors are expected to take responsibility for identifying their own professional development needs and to ensure that they are adequately informed about the company and their responsibilities as directors.

Jardine Lloyd Thompson Group plc

Page 27

During the past 12 months, a formal evaluation of the board, its committees and individual directors has been undertaken. The board performance evaluation was undertaken by means of individual questionnaires that were summarised and debated by the board or the relevant committee.

Johnson Matthey Plc

Page 40

During the year, the board undertook a formal evaluation of its performance and the performance of its committees and the individual directors. The deputy company secretary conducted face-to-face interviews with each individual director based on a standard questionnaire.

The interviews focused on the operation of the board and its committees and on individual directors' contributions. Separately, the chairman held a series of one-to-one discussions with each director to provide them with an opportunity to expand on their responses, to raise any broader issues and to review their performance.

A report was prepared on the findings of these interviews and it also contained a number of recommendations designed to ensure that the current high standards of governance and processes were maintained. The report has been considered by the board and the board approved its recommendations. The report concluded that the board and its committees continue to work effectively.

Led by the senior independent director, the non-executive directors met without the chairman present to appraise the chairman's performance, taking into account the views of the executive directors.

Jupiter Fund Management plc

Page

In respect of 2010, given that the board in its present form had come together shortly before listing in June, an internal evaluation of the operation of the board and its committees was undertaken in December 2010, by way of a questionnaire. Practical suggestions concerning the updating of the board's rolling agenda and the format and content of papers have been acted on. Following the questionnaire and nomination committee consideration of the effectiveness of individual directors, the directors were satisfied that the board, its committees and individual directors operated effectively. The board will conduct a formal evaluation process of its own performance and that of its committees and individual directors in 2011 and will report to shareholders in the next annual report.

Kazakhmys PLC

Page 66

A full board performance evaluation process was undertaken in late 2009, facilitated by an external consultant, with fully documented results being presented to the March 2010 board meeting. The process was carefully structured but pragmatic, tailored to bring about a genuine debate of issues that are relevant, and assisted in identifying any potential for improvement in the company's processes. It entailed the completion of detailed questionnaires on the performance of the board, its committees and its executive and non-executive directors by each director (excluding Clinton Dines who was appointed on 1 October 2009) and the preparation of a composite report. The evaluation report concluded that the board and its committees continue to operate effectively and each director is contributing effectively and demonstrates commitment to his role. While being satisfied with its overall performance, the board is developing action plans in respect of certain areas identified for improvement including, for example, the setting of further non-financial targets and a greater focus on succession planning.

During the year, the chairman held a number of meetings with non-executive directors without executive directors being present. The senior independent director also led the non-executive directors in evaluating the performance of the chairman.

Kingfisher plc

Page 37

During the year, the board considered the output from its own performance evaluation and that of its committees, which was carried out during January 2009. The annual performance evaluation is conducted within the terms of reference of the nomination committee with the aim of improving directors' individual contributions, board and committee effectiveness, and the group's performance. The internal process was led by the chairman and facilitated by the company secretary and involved the use of an online questionnaire with specific questions relevant to the company. The performance assessment of the non-executive directors and the group chief executive was carried out by the chairman during the year. In addition, the group chief executive conducted the performance review of the group finance director and the senior independent director conducted the performance review of the chairman.

The individual evaluations found the performance of each director to be effective and concluded that the board and its committees continue to operate effectively. The board confirmed that the contributions made by each director offering themselves for re-election at the AGM on 17 June 2010 continued to be effective and that the company should support their re-election. The details of directors seeking re-election and election at the 2010 AGM are set out in the separate notice of annual general meeting. The board will continue to review its procedures, effectiveness and development in the year ahead and the chairman will use the output of the most recent evaluation as the basis of his individual meetings with directors. The board will consider the use of an external facilitator to carry out an independent board evaluation during the year ahead.

Ladbrokes PLC

Page 31

The chairman conducts an appraisal with each director. The senior independent director, having consulted with the other directors, conducts an appraisal interview with the chairman. Each director completes a questionnaire on the effectiveness and processes of the board and its committees. The results are considered by the board and the individual committees.

Whilst all directors are expected to bring an independent judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct, the independent non-executive directors were selected and appointed for this purpose.

Land Securities Group PLC

Page 68

A formal and rigorous evaluation of the performance of the board, its committees, the directors and the chairman is conducted each year as the company recognises that their effectiveness is critical to its success.

For the last few years, the board has undertaken a self-assessment. This year, Independent Audit Limited (Independent Audit), an independent firm of consultants who specialise in board performance and corporate governance, was appointed to undertake a thorough independent review of the performance of the board and its committees. The process involved a review of information provided to the board and committees followed by confidential interviews with the directors, the company secretary and the head of risk management.

Independent Audit's report concluded that the board and its committees continue to operate effectively. It identified a small number of further actions to help support our commitment to continuous improvement. The key areas of focus are:

- formalising at more frequent intervals a review of the interaction of assets and liabilities;
- continuing to improve the relevance and user-friendliness of information going to the board;
- exploring ways for the non-executive directors to increase further their understanding of the business and the time they spend collectively and individually with executive directors;
- considering whether agenda time should be made available for more free-ranging discussions;
- exploring ways of framing the board's risk appetite in more explicit terms and communicating it to the business.

The board and its committees will monitor progress and continue to review critically their effectiveness during the year ahead. The chairman's performance and leadership were reviewed in a one-to-one with the senior independent director, while the chairman held one-to-one interviews with the individual board directors to discuss their contribution.

Legal & General Group Plc

Page 45

Each year the board participates in a formal evaluation of its performance, the performance of its committees and that of individual directors. The evaluation process is considered a valuable exercise. The board undertook the evaluation for 2009 in January of this year. Use of an external facilitator was considered, however, as the timing of the exercise coincided with the transition from Sir Rob Margetts to myself, it was agreed that the evaluation should be facilitated internally by myself and supported by externally established online tools. The evaluation comprised a confidential online questionnaire, which sought directors' views on board relationships, the role of the board and its committees, its effectiveness (in particular in developing and testing strategy), and individual directors' views on their own contribution during the year. The questions also examined whether the board meets regularly enough, provides an atmosphere for candid discussion and debate, and devotes the right amount of time to the right things. I have met with all board members individually to discuss their responses and will be developing an action plan to be agreed by the board and implemented this year. Overall, I am satisfied that the board operates well.

Lloyds Banking Group plc

Page 100

In Autumn 2009, the board, supported by JCA Group, conducted a rigorous process of evaluating its effectiveness, and the effectiveness of its principal committees. The process included confidential, unattributable, one-on-one interviews with every board member and with UKFI and the group's external auditors. The review covered corporate governance, board effectiveness, strategy development, risk management and board and committee organisation, composition, operation and dynamics. In addition, although early in his tenure, the review also considered the performance of the chairman, including the effectiveness of his relationships with the group chief executive and other members of the board. The outcomes of the review were subsequently discussed by the board as a whole.

The review was conducted during a period of significant change for the board with several members leaving and a number of relatively new members.

The board members individually and collectively considered that the board is working as an effective whole. After the significant challenges faced by the group and the board in 2009, the review highlighted the importance of returning to a more normal operating mode by focusing on delivering the integration, developing the future strategy, and reviewing the operations and risk management for the group as a whole and within each of the key areas. In addition, the review encouraged continued vigorous debate in the board and committees and emphasised the importance of succession plans for the management team and non-executive directors.

An action plan has been developed to ensure that the chief conclusions of the review are addressed in a timely manner. As part of this, it has been agreed that issues of risk, liquidity and funding should receive particularly high attention in 2010.

Logica CMG plc

Page 48

The board is subject to an annual performance review which covers the effectiveness of the board, its committees and individual members and takes into account factors such as composition, expertise, information flows, roles, responsibilities and procedures. A full review has been conducted in line with this process. Each director completed a comprehensive questionnaire, following which one-to-one interviews were conducted by the chairman with each director. The information from the questionnaires and interviews was compiled into a report which was presented to the board by the chairman at its meeting in February 2010.

As part of this process, any director who has served on the board for a period in excess of six years is subject to a particularly rigorous review.

The performance of the chairman was assessed by the non-executive directors. The process for this was led by the senior independent director with all directors providing feedback on the chairman's performance. The results were discussed with the chairman by the senior independent director.

During 2009, Andy Green, chief executive officer, held one-to-one meetings with each of the executive directors to discuss their performance and to set targets for the year ahead. Each executive director received a set of strategic and functional objectives for the coming year. There are regular meetings between the chairman and the non-executive directors to discuss the performance of the company and any matters of relevance or concern. Where appropriate, action is taken to address any concerns of the directors.

London Stock Exchange Group plc

Page 40

The annual performance evaluation of the board, its committees and directors was undertaken in 2010 and was conducted by the group company secretary using a detailed questionnaire. In addition, as highlighted above, the board carried out a review of its composition using the services of an external provider.

The results of the review were used to highlight areas of strength and weakness, assist in consideration of the future development of the board and its committees and further improve their performance. The review also included a separate assessment of the chairman's performance with feedback provided to the chairman on an individual basis.

The results were discussed by the board and actions agreed where appropriate. The evaluation concluded that the board and its committees were working effectively.

One of the key matters considered by the board was a review of its future composition. The board agreed that it should recruit new non-executive directors to refresh the composition of the board and agreed the criteria and process for doing this. The board also agreed that: there should be further contact between non-executive directors and all levels of management; there should be additional meetings between the chairman and non-executive directors; and talent management and succession planning should be considered more frequently.

Lonmin Plc

Page 56

The company has previously implemented a board performance evaluation process which is designed to identify whether the board possesses the relevant skills, knowledge and experience to fulfil its mandate, so enabling it to manage succession issues. The review in May 2008 had identified two areas where improvements could be made. These were addressed during the year as follows:

Issue	Resolution
Improve the degree of interaction between board members and key executives and senior managers.	Site visits, lunches and dinners during the two board visits to South Africa were designed to provide informal opportunities to meet a wide range of managers. Working meetings with the executive committee were held during the September 2009 board visit, and members of the executive committee attended part of the board meeting.
Create additional opportunities for informal discussion of key business issues between board members.	A number of dinners were held during the year at which the directors could debate business issues informally.

The board recognises that externally facilitated evaluations can provide a useful and impartial feedback mechanism. However, since both the chairman and the chief executive have only been in post for a matter of months, the board decided that it would not be appropriate to have such a review at this time. Instead, Mr Phillimore held individual discussions with each of the directors to assess their views on a wide range of issues, including the effectiveness of the board committees, using set questions to structure the debate.

Feedback from each of those discussions was provided to the board. The most material conclusion was that executive management should be based in South Africa, close to the mining operations with the aim of enhancing day-to-day management and communications, as well as enabling the company to engage more effectively with its South African stakeholders. It was also decided to add a third day to each of the bi-annual board visits to South Africa in order to afford more time with local senior managers. The board is considering the appointment of an external facilitator during the course of 2010. In September 2009, under the chairmanship of the senior independent director and without the chairman being present, the board also assessed the effectiveness of the chairman. The unanimous conclusion was that the chairman was effective in the role, in large part because of his length of tenure and intimate knowledge of the business.

Man Group plc

Page 79

Following the full external evaluation carried out in 2009, an internal review based on a written questionnaire developed by the company secretary with input from the board was carried out in 2010. This covered the operation of the board and the remuneration and nomination committees. A separate evaluation was carried out for the audit and risk committee as reported on page 84. The review of the board's collective performance focused on the main issues identified for improvement in 2009 and topical governance concerns emerging from the Walker and Combined Code Reviews. It also gave ample scope for free comment on any aspects of board operation with input from the new non-executive directors being of particular interest and value. Individual director evaluation was built on a range of self-appraisal questions for private discussion and feedback between the chairman and individual board members. These sessions allowed the chairman to take soundings on board dynamics, to mentor individual roles as necessary and ensure that the most is made of non-executive talent and time commitment. The senior independent director sought written comments from all board members on the performance of the chairman which were discussed with him in a private meeting. The main issues identified in the collective board evaluation were the need for:

- a more concrete and structured strategic plan which brought together the various business development strategies under discussion;
- further focus and execution on senior management and executive director development and succession; and
- greater knowledge by non-executives of market competition, broader insight into investor attitudes and more opportunities for education and update on topical business and governance issues.

All these issues were presented to and considered by the board in March and a progress review will be carried out mid way through the financial year.

Marks and Spencer Group plc

Page 49

Last year, we said that to achieve good governance, we need a board that demonstrates independence, is well-informed and acts responsibly. We put particular effort into this year's board performance review, by tracking progress against these requirements, 'drilling down' into specific areas that we feel matter, and looking at how we can drive better governance through to the business. We are confident that putting effort into getting the self-assessment right has resulted in a more rigorous review as we set out in Box C.

We took a more robust approach to our self-assessment by engaging the governance specialists, Independent Audit. They provided external facilitation by challenging us on the questions we asked ourselves and helping us analyse the results.

Meggitt PLC

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In January 2010, the board conducted a self-evaluation. The chairman led a review and discussion to consider the board's performance against some high level objectives and its own terms of reference.

The board was satisfied with its effectiveness. The audit and remuneration committees have considered their own performance during the year. The performance of individual directors has been considered by the chairman and chief executive in discussion with other non-executive directors. The non-executive directors have considered the performance of the chairman, taking into account the views of the executive directors.

Melrose PLC

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Performance of the board and each committee is evaluated annually. The chairman has held meetings with the directors, including the senior independent non-executive director, Mr Miles Templeman, to discuss the performance of individual executive directors and the board as a whole. It was considered that the individual directors and the board as a whole were operating effectively. Directors determine whether there are any training requirements by completing an evaluation questionnaire during the year that is designed to identify any failures in the performance of the board and each of its committees.

The findings of the evaluations were reviewed by the company secretary and feedback was provided to the board.

The Mercantile Investment Trust PLC

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The board has evaluated the performance of the manager and confirms that it is satisfied that the continuing appointment of the manager on the terms agreed is in the interests of shareholders as a whole. In arriving at this view, the board considered the investment strategy and process of the investment managers, noting consistent out performance of the benchmark over the long term and the support that the company receives from JPMAM.

Michael Page International PLC

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The board, as part of its commitment to ensuring effectiveness and evaluating its performance, together with that of its directors and committees, conducted an internal review comprising a questionnaire concerning all aspects of procedure and effectiveness.

Following completion of the questionnaires, the chairman met with the individual directors to discuss their views and to give feedback on their performance. The results of the evaluation were reported to the board and where areas of improvement have been identified, actions have been agreed upon and training will be provided where required. Hubert Reid, as the senior independent director, led a meeting of the non-executive directors to appraise the performance of the chairman. The meeting took into account any comments made by the executive directors. This evaluation is carried out annually.

Millenium and Copthorne Hotels plc

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The board evaluation process has been conducted by the directors completing online questionnaires which solicit views on the board governance processes, the operation of standing committees and a self-assessment of individual directors' performances. Feedback from the evaluation process is compiled by the company secretary and a report is prepared for consideration by the board. In addition, the performance of executive and non-executive directors is assessed annually by the chairman. During the year, the chairman and independent non-executive directors met without the executive directors in attendance. Evaluation of the chairman is conducted by the independent non-executive directors led by the senior independent non-executive director.

Misys plc

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In April 2010, the directors conducted a review of the effectiveness of the board, its committees and the respective chairmen, each of the directors and the chief executive. The effectiveness review was facilitated by the company secretary and conducted by way of a detailed questionnaire and discussion with the chairman and the senior independent director, who led the review of the chairman. The results of the effectiveness review were considered by the board and each committee respectively at the meetings held in May. The senior independent director discussed the results of the review of the chairman with the non-executive directors without the chairman present.

The review concluded that the adoption of the board governance framework and the provision of more timely and better quality management information had enhanced its effectiveness. Risk oversight has improved and the board is better informed about the risks facing the business. The board and each committee have identified areas for improvement and have adopted plans to monitor progress against the improvement needs identified.

As part of its effectiveness review, the board has reviewed the availability of the non-executive directors, including that of Jeff Ubben who is a non-executive director and is due for re-election at the 2010 AGM, and the board considers that he continues to be able to devote the necessary amount of time to the business of the company.

During 2010/11, the board intends to engage an external party in a review of its effectiveness. This will give the board an independent perspective and enable it to benchmark its effectiveness against that of its peers.

Mitchells & Butler plc

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In FY 2010, the board carried out a formal board governance assessment including a review of issues relating to the board as a whole, the performance of the chairman and the priority of tasks.

The process included the completion of a detailed questionnaire by the then current board directors and included an opportunity for each director to make comments. The areas covered in the questionnaire were the board's role and its organisation, the board dynamic and relationships, quality of information flows and decision-making, board committees, performance monitoring and the board's priority tasks. The output was compiled into a report which was agreed with the senior independent director, Simon Burke, who led the evaluation process. The report was subsequently discussed between the chairman and the rest of the board.

During the year, the non-executive directors met without the executive directors present, and the non-executive directors also met without the chairman present, led by the senior independent director, to appraise the chairman's performance. The outcome of this appraisal was positive and confirmed that he brought valuable experience and expertise to the board, made valuable contributions to board discussions, listened to others' views and was committed to the company's success.

An external evaluator was used as part of the evaluation process for FY 2008. Given the level of board changes during FY 2010, it was not considered appropriate to use an external evaluator this year, however, it is intended than an external evaluator will be used for the evaluation for FY 2011.

Mondi PLC

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During the year, the action plan from the previous evaluation was regularly reviewed to ensure that the objectives set had been achieved. In particular, a questionnaire was circulated to members of the senior management team to enable the boards to gain an insight into the effectiveness of communications from the boards, the results of which were reviewed. The group's brokers presented investor feedback to the boards after the half yearly and full-year results.

Following a review by the DLC nominations committee, it was agreed that an internally facilitated performance evaluation of the boards, principal committees and individual directors remained appropriate for 2009. The evaluations were led by the joint chairmen and supported by the company secretaries and comprised a questionnaire completed by each director regarding various aspects of the performance of the boards.

In addition to covering the regular board matters, the questionnaire also covered specific areas highlighted in the 2008 evaluation. Questionnaires were also completed by each member of the principal DLC committees relating to the activities of each committee. The joint chairmen interviewed each director on a one-to-one basis. Cyril Ramaphosa interviewed those based in South Africa and David Williams interviewed the non-South African based directors.

Further input for these interviews was obtained through the use of an additional questionnaire completed by each director providing their views of their fellow directors in a number of areas such as preparedness for, and contribution at, meetings.

Morrison Supermarkets PLC

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The performance of the board, its committees and its directors are assessed and appraised regularly. The chairman is responsible for monitoring the performance of the chief executive, who in turn is responsible for monitoring the performance of the executive directors.

In light of recent board changes, the process for the external review of the performance of the board, which had been scheduled for the early part of 2010, has been postponed and will now take place in the second half of the current financial year.

In the meantime, however, a review process has been commissioned as to the effectiveness of the individual board committees, and of their members, which will take place during the first half of the current financial year. That committee review will be conducted by an external agency and the results and any major findings of that process will be considered and, as appropriate, acted upon in the second half of the financial year.

A full external review of the board, the standing board committees and the individual directors will be carried out before the end of the 2011/12 financial year and any major findings will be reported upon in the corporate governance report for the period ending in January 2012. The board is satisfied that, in the light of changed circumstances that exist at the time of the publication of this report, the arrangements for review and appraisal of the performance of the board, its committees and individual directors are appropriate. The board is also confident that the initiatives it has commenced will enable the group to satisfy any recommendations of the revised Combined Code (the UK Corporate Governance Code) in relation to board evaluation which it is understood will come into force during the current financial year.

National Express Group PLC

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Formal evaluation of the board's performance is periodically carried out using external consultants. The external consultants receive evaluation questionnaires from each of the directors and the company secretary. The questionnaires cover the performance of the board as a whole and individual board members. As a follow up to the questionnaires, individual meetings are held by the consultants with each board member at which the answers to the questionnaires are explored further and additional matters raised, before being discussed with the chairman of the board and the board as a whole. Subsequently, the board agrees a series of actions to improve its performance and increase its effectiveness. It is anticipated that the next formal appraisal will be carried out in late 2010.

National Grid plc

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Continuous improvement and development of board and board committee processes and procedures is key to ensuring that National Grid's governance structures remain in line with best practice. Since 2003/04, an internal process has been established for evaluating the performance of the board, board committees and individual directors. Each year, the nominations committee reviews the appropriateness of the internal process and considers if an external party should be engaged to facilitate and/or perform the annual evaluation. Although the committee agreed the internal review remains robust, it determined that a review of international best practice may provide assurance that the company's process remains at the forefront of best practice, and potentially provide insights into how the process could be further improved. Subsequent to this decision, the consultation on the revised UK Corporate Governance Code proposed the use of an external facilitator to undertake the evaluation of board performance at least every three years.

Professor Andrew Kakabadse, Professor of international management development, Cranfield School of Management, presented a paper in January 2010 to the board. The presentation entitled *Chairman and Global Board Best Practice: an international investigation* summarised Professor Kakabadse's research over the past decade through interviews with non-executive directors, CEOs, chairs and executive directors from around the globe, including the UK, US, Australia, Germany, Russia, China and South Africa. The discussion provoked debate and ideas on how the internal process could be updated in future years. Professor Kakabadse also reviewed the company's current evaluation process and concluded that it was in line with top quartile best practice globally.

The 2009/10 process was led by the chairman, assisted by the company secretary and general counsel, and consisted of a confidential survey which invited anonymous comments. It was completed by all directors in relation to the board and all committees of which they are a member. The board survey focused on a number of key areas including board size, composition, training, governance, performance and operation. One-to-one meetings were then held between the chairman and each director (executive and non-executive) together with a separate non-executive director only informal meeting, this element having been introduced in 2008/09. In addition, regular attendees at committee meetings were also asked to complete surveys in relation to the relevant committees.

The company secretary and general counsel collated the survey results, together with any key issues arising out of the one-to-one meetings with the chairman and the separate non-executive directors' meeting, and incorporated these into an action plan for 2010/11. In accordance with established practice, the results were considered first by the nominations committee and then by the board and each committee, which each reviewed the matters highlighted by the evaluation, the formal response and the action plan. During the year, the action plan is monitored actively. Actions arising in last year's survey were implemented throughout 2009/10 and included: greater emphasis on inclusion and diversity and strategic business trends analysis on business agendas; improved use of video conferencing; and earlier issue of board and board committee papers.

The 2009/10 results showed improvement on the previous year's board and board committee performance and no major changes were required to associated processes and procedures. However, valuable actions to be addressed over the coming year include:

- enhancement of the non-executive directors' familiarity and interaction with each line of business;
- development of a more standard presentation format for in depth line of business reviews, in order to promote consistency and ease of comparison; and
- greater transparency of key performance indicator data provided to the board.

The chairman's performance was reviewed and his leadership and performance were considered to have been of a high standard.

Next PLC

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The performance of the board, its non-executive directors and committees was formally evaluated during the year. The evaluation was conducted by directors completing a detailed questionnaire, the results of which were compiled by the company secretary for review by the chairman and the board as a whole. The senior independent non-executive director appraises the performance of the chairman through discussions with all the directors individually and, together with the chairman, appraises the performance of the chief executive. The performance of the executive directors is monitored throughout the year by the chief executive and the chairman.

Northumbrian Water Group plc

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A full evaluation of the performance of the board, its committees and of individual directors was conducted during the year. Having engaged an external consultant to conduct last year's evaluation, the exercise was conducted internally this year. Each director completed a detailed questionnaire prior to a one-to-one meeting with the chairman. The questionnaire was prepared by the chairman and company secretary and was designed to address strategic issues and succession planning, as well as the approach of the board to operational and financial matters, the role of the non-executive directors and the quality of information received by the board. The performance of NWL's board, committees and individual directors was evaluated at the same time. Except in relation to Heidi Mottram and Margaret Fay, who have been appointed directors since the last AGM and will seek election as directors for the first time at this year's AGM, the chairman's comments on the evaluation of the directors seeking annual re-election at the AGM are provided in the notice of meeting. The comments of the senior independent non-executive director on the evaluation of the chairman are also provided in the notice.

Old Mutual plc

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The board conducts a review of its performance on an annual basis. The review is designed to ensure, among other things, that each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties). In 2009, the board was assisted by external facilitators in its review. The results of the review are considered by the board and appropriate actions taken, if necessary. An action plan setting out the recommendations arising from the review and tracking progress in addressing them has been agreed by the board and will be updated and considered at board meetings during 2010.

Pearson plc

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For the review of 2008, conducted early in 2009, the chairman asked the directors to complete an evaluation questionnaire which was targeted specifically around issues of strategy and risk management. Responses to this questionnaire and from face-to-face meetings with the chairman were gathered and communicated to the board at the May 2009 board meeting.

This process reinforced the view that strategy remained a key focus for the board in 2009. As a direct result of these discussions, strategic reviews of International Education and Education Technology were held in June and October respectively and the Pearson strategic plan was reviewed and updated in December.

The evaluation of 2009 is currently underway. The chairman is conducting detailed interviews with all directors to ensure the board is effectively focused on its agreed priorities: governance; strategy; business performance and people. The outcome of this review will be discussed at the April 2010 board meeting. The board anticipates using an external advisor for its 2010 review.

In addition, during the course of the year the executive directors were evaluated by the chief executive on their performance against personal objectives under the company's standard appraisal mechanism. The chairman leads the assessment of the chief executive and the senior independent director conducts a review of the chairman's performance.

Pennon Group Plc

Page ??

The board has internal procedures to evaluate the performance of the whole board, each committee, the chairman, each individual director and the group general counsel and company secretary. The evaluation procedure relating to the board and its committees was administered for the year by the group general counsel and company secretary. All participants' views were sought on a range of questions which were specifically designed to ensure objective evaluation of performance for the year 2009/10. The participants' responses were then summarised and evaluated by the group general counsel and company secretary for the board and each committee to consider and determine whether any changes should be made to be more effective. Overall, performance was considered to be satisfactory but a number of views expressed by directors on the operation of the board and certain committees were considered

with a view to improving performance and overall governance. Arising from the evaluation, the board agreed that it would be appropriate to review the matters reserved to the board and the financial limits on delegations to directors.

The board also considered whether there was a need in the forthcoming year for an independent and externally facilitated performance review to be carried out and noted that the new UK Corporate Governance Code of the Financial Reporting Council which applies to financial years commencing on or after 29 June 2010 stated that evaluation of the board should be externally facilitated at least every three years. The board agreed to consider the options available for an externally facilitated evaluation later in the year. The chairman's performance was evaluated separately by the non-executive directors, led by the senior independent non-executive director. The chairman's other significant commitments outside the group have not changed during the year and the board is satisfied that such commitments do not prejudice the chairman's performance in relation to his group role

Persimmon Plc

Page 39

The board and the audit committee undertake a written self-evaluation of their performance. A verbal evaluation of the performance of the remuneration and nomination committees are undertaken by the committees. The non-executive directors undertake a verbal annual performance evaluation of the chairman, taking into account the views of the executive directors. The chairman undertakes a verbal evaluation of the executive directors' performance. As a result of the evaluations during 2008 and 2009, a number of procedural and other changes have been implemented. As an example, the board are provided with additional executive management reports and accounts to ensure they have detailed knowledge of the company's progress in the current challenging market conditions. Any training requirements are reviewed as part of the evaluation process. The board and its committees reviewed the evaluations and are satisfied that the board and its committees remain effective.

Petrofac Limited

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The chairman in consultation with the other directors considered how the board might best evaluate its performance in 2009. In view of the fact that the board had relied upon internal reviews in 2007 and 2008, the board decided that it would seek some external facilitation in 2009. It considered that another internal review conducted in the same manner as the previous two years would be unlikely to provide the board with any new insight into its role and any changes the board might make in seeking to discharge its responsibilities more effectively. Having considered several third parties who might conduct an external review, the chairman appointed ICSA Board Evaluation. Representatives of ICSA Board Evaluation are in the process of conducting face-to-face interviews with directors after which they will observe a board meeting in progress. ICSA will then present a written report to the board and lead a discussion in relation to its findings and recommendations at the board meeting in May 2010.

Michael Press, the senior independent director, led a separate evaluation of the chairman through a series of questionnaire-led interviews with other members of the board and senior management before providing feedback to the chairman in a one-to-one appraisal. Board evaluation will continue on an annual basis.

Petropavlovsk plc

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The board follows a formal annual evaluation process for executive and non-executive directors. The remuneration committee is responsible for the performance review of each executive director and the independent non-executive directors are responsible for the performance evaluation of the chairman.

The board has adopted a formal performance evaluation procedure for the board as a whole and for the committees, whereby the directors complete questionnaires which are collated and reviewed by the senior non-executive director prior to review by the board, which considers and reviews the findings of the process.

The 2009 evaluation process raised the issue of expanding the skill base of the board and this was duly considered by the board, resulting in the appointment of Graham Birch. Suggestions were also made with regard to the effectiveness of discussion of key issues and the board subsequently held a strategy meeting to facilitate and focus on such discussions.

Phoenix Group Holdings

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The board of the company changed completely at the start of September 2009 on the company's acquisition of the Pearl businesses. Additions were made to the board during the latter part of 2009 and the first quarter of 2010 to establish the board in its current state. The evaluation of its performance and that of its committees and individual directors will take place in accordance with the board's approved evaluation process. This is scheduled to take place in the latter part of 2010, once the new board has operated as a unit for a reasonable period. The process, approved by the board, is as follows:

The chairman will facilitate a discussion on, and evaluation of, the board's performance. This will include discussions both collectively and individually about:

- the board's role;
- the board processes;
- the board's performance;
- the role and performance of its committees;
- any conflicts of interest; and
- other relevant issues.

Led by the senior independent director, the non-executive directors will meet, without the chairman present, to appraise the chairman's performance, after taking into account the views of executive directors.

A review of a director's individual performance will be undertaken by the chairman and the board as part of the evaluation. This review will aim to show whether the director in question continues to contribute effectively and to demonstrate commitment to the role (including commitment of time to board and committee meetings and any other duties). The chairman should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, proposing new members to be appointed to the board or seeking the resignation of directors.

All directors receive a tailored induction on joining the board in accordance with a process approved by the board. To ensure that the directors continually update their skills and their knowledge of the company, all directors receive regular presentations on different aspects of the company's business and on financial, legal and regulatory issues.

Premier Farnell plc

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During the year, a performance evaluation was carried out covering the board, each of the principal board committees and individual directors. The evaluation process consisted of a one-to-one discussion between the chairman and each of the other directors and the company secretary.

This discussion was based on a series of questions devised for the purpose and circulated before the meetings. These questions were framed to focus on high-level issues, as evaluations from earlier years already indicated high standards in respect of board and committee composition and processes. In addition, each director completed a questionnaire appraising the performance of each other director. The results of these evaluations were collated by the company secretary and considered by the chairman or, in the case of the chairman, by the senior independent director. The chairman discussed with each director points arising from his or her evaluation.

The evaluation of the chairman was discussed in a meeting of the non-executive directors led by the senior independent director. The executive directors and company secretary also attended to give their views. The senior independent director subsequently discussed the outcomes of this evaluation with the chairman.

The performance of the board as a whole and of each of its principal committees was considered by the board. The chairman led this discussion, based on the results of his one-to-one discussions. The board also reviewed the main outcomes of the prior year's evaluation process and the actions taken.

Premier Oil plc

Page 23

The board and its directors are subject to regular appraisal. The aim is to improve both individual contributions and group achievement. The board carried out a questionnaire-based evaluation process in 2007, using an external facilitator. In addition to completing the questionnaire, the directors were offered the opportunity to meet the facilitator in order to expand upon their answers or to raise other issues. While it is not a fixed policy, the current view of the board is that alternation between internal and external reviews has significant merits, not least in keeping the exercise fresh amongst board members.

The results of the evaluation were reviewed by the chairman and discussed in detail by the board, at a special meeting attended by the facilitator. The results in general were extremely positive, although there were one or two issues of a minor administrative nature that needed to be addressed and they are receiving attention.

Provident Financial plc

Page 58

In November 2009, the board completed the seventh evaluation of its performance and that of its committees and individual directors. The chairman was primarily responsible for this evaluation and submitted a questionnaire to all directors. This contained questions on different aspects of the operation of the board and its committees and the performance of individual directors. The senior independent director was responsible for collating comments on the chairman's performance. A summary of the evaluation was presented to the board in December 2009 which showed that the board, its committees and individual directors were working effectively. The evaluation indicated areas for improvement, but no significant problems were identified. A performance evaluation of the board, the board committees and individual directors will continue to be conducted annually and the process for such review will continue to be reviewed by the board in order to optimise the process.

Prudential plc

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Prudential continued its programme of annual evaluations of the performance of the board and its committees in respect of 2009, in line with the requirements of the Combined Code. The aim is to continue to improve the effectiveness of the board and its committees, and enhance the group's performance.

In respect of 2009, the evaluation of the board as a whole was carried out internally led by the company secretary in consultation with the chairman, the senior independent director and the group chief executive. The company secretary prepared a report based on the findings of the review, which will be presented to and discussed by the board in March 2010, and an action plan will be agreed. The use of external providers for future evaluations is kept under review by the board.

In addition, the performance of the non-executive directors and the group chief executive was evaluated by the chairman in individual meetings. The non-executive directors, led by the chairman, evaluated the performance of the executives and, led by the senior independent director, will evaluate the performance of the chairman in March.

Executive directors are subject to regular review, and the group chief executive individually appraised the performance of each of the executive directors as part of the annual group-wide performance evaluation of all staff. The audit committee carried out a separate evaluation in 2009, and the results were reported to the board in February 2010.

PZ Cussons Plc

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Reviews of the board and board committee performance are carried out annually, with the assistance of external advisors where considered appropriate, and the review results are discussed and any appropriate actions taken. The performance of the non-executive directors is evaluated by the executive directors. The remuneration committee reviews executive directors' performance with guidance from the chief executive (other than in respect of his own position). The review process in 2010 concluded that all directors continue to contribute effectively and with proper commitment, devoting adequate time to carry out their duties.

Randgold Resources Limited

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The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. The board's evaluation procedure operates through a structured self-assessment system allowing each director to rate the performance of the board and its committees and focuses on a number of key areas. The individual assessments are then scored and the results were tabled at a separate session at the time of the January 2010 board meeting where the results were discussed in detail. The board also discussed the evaluation of the individual performance of each director and the contributions that such person made to the board. The board continues to believe that the exercise is beneficial.

A formal session of the directors also assessed the chairman's performance under the leadership of the senior independent director.

Reckitt Benckiser plc

Page 13

During the year, the board has carried out a formal evaluation of its performance and that of its committees and individual directors in accordance with Code Provision A.6.1. The performance review of the board undertaken in 2009 concluded that the chairman and other non-executive directors devote sufficient time to the company.

The board carried out a structured debate to evaluate its own performance in 2009. Graham Mackay, as the senior independent non-executive director, conducted an evaluation of the chairman's performance in conjunction with his non-executive director colleagues with input from both executive directors. The nomination committee has primary responsibility for reviewing the performance of individual directors and, in addition to this review process, the chairman carried out an evaluation of the performance of individual directors by face-to-face, one-on-one interviews. The board is of the view that it is best placed to carry out such evaluations, without the need to employ the services of an outside consultancy, and that this is an appropriate and cost-effective procedure. The performance of the CEO, and of other members of the executive committee, is regularly reviewed by the remuneration committee of the board.

Reed Elsevier PLC

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During the year, the committee assessed the performance of individual directors and, led by the senior independent director, also assessed the performance of the chairman. Using questionnaires completed by all directors, the committee reviewed the functioning and constitution of the boards and their committees. Based on these assessments and on the board effectiveness review, the committee believes that the performance of each director continues to be effective and that they demonstrate commitment to their respective roles in Reed Elsevier.

Rentokil Initial plc

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The board has undertaken a formal evaluation of its own performance and that of its principal committees and individual directors, including the chairman. Directors completed appraisals on matters relevant to board, committee and director performance.

A report was presented to and reviewed by the board. The board concluded that the evaluation exercise had confirmed that the directors had the appropriate range of skills and experience and constituted an effective and unified board. The review was led internally by the chairman with the assistance of the company secretary, utilising a framework provided by external specialists which covers the establishment and role of the board, its membership, skills, experience, training, meeting arrangements, leadership, procedures and communications.

Individual director evaluation showed that each director (including those seeking re-election at the annual general meeting in 2010) continued to demonstrate commitment to the role. The non-executive directors, led by the senior independent director, carried out a performance evaluation of the chairman after taking account of the views of the executive directors. The board intends to carry out further performance evaluations and will keep under review revisions in the UK corporate governance code when deciding the method and frequency.

Resolution plc

Page 11

No report. The board intends to carry out an evaluation of the performance of the board, its committees and the directors during the next 12 months.

Rexam PLC

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All directors, including the chairman, receive a formal performance evaluation to which all other members of the board have an opportunity to contribute. The evaluations are led as indicated below:

Board member	Evaluation led by
Chairman	Senior independent director
Senior independent director and other non-executive directors	Chairman
Chief executive officer	Chairman
Executive directors	Chief executive officer

The chairman met a number of times with the non-executive directors during 2009 to discuss the evaluation of the board and individual directors' performance and succession plans. The chairman and chief executive absent themselves when their own performance is being assessed. Discussions are led by the chairman (except in relation to his own performance and succession when the senior independent director takes the chair) and feedback is provided. In addition to the personal performance evaluations, an evaluation of the effectiveness of the board and its principal committees was undertaken. The directors were asked to complete questionnaires and provide comments on board and committee procedures and effectiveness. The results of the evaluations were reviewed by the chairman, the chief executive and the company secretary prior to being presented to the board. The directors shared the view that the board and its committees continue to operate effectively and that, whilst there have been challenges in 2009, the board and its committees have improved their effectiveness. During 2010, the board intends that the processes concerning the following areas will be further developed and improved.

A full performance evaluation of the board and its committees will continue to be conducted annually.

Rio Tinto plc

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Each year, the board undertakes a process to evaluate its effectiveness and that of the board committees and individual directors. Each non-executive director's performance is appraised personally by the chairman and, in a meeting chaired by the senior independent non-executive director, the non-executive directors assess the chairman's performance, taking into consideration the views of executive colleagues.

For 2009, the board and board committee evaluation process was overseen by Jan du Plessis in his capacity as chairman of the board. This process was supported by the company secretary and took the form of a detailed questionnaire circulated to all members of the board. The board questionnaire invited comments on a number of key areas, including board dynamics, board capability, board process, board structure, corporate governance, strategic clarity and alignment, and the performance of individual committees and directors. The results of the questionnaire formed the basis of discussions led by the chairman with each individual director which also provided the chairman with an opportunity to provide feedback on their individual performance. Following the conclusion of this exercise, the board held a dedicated session at one of its scheduled meetings to discuss the output from its performance evaluation and to agree a number of actions. These actions, which are in the course of implementation, include practical measures to make board meetings more effective, including allowing more regular opportunities with members of the executive committee during the year to review individual product group strategies as well as presentations by the group's functional leaders in the areas of technology and innovation, risk management and climate change.

For the board committees, a similar questionnaire was produced in 2009 in agreement with the committee chairman and was circulated to each committee member and regular attendees. The questionnaire invited comments on a number of areas, including

the role and responsibilities of the committee, its organisation and effectiveness and the qualifications of its members. The results of the questionnaires were collated and presented for discussion and debate at meetings of the audit and remuneration committees and the committee on social and environmental accountability. Actions were agreed from this process, for example, the realignment of committee meeting schedules to allow greater time to be spent on areas affecting the group, including risk management, executive remuneration policy and dedicated sessions on local community engagement practices.

In respect of the chairman's own performance evaluation, Andrew Gould, in his capacity as senior independent director discussed and agreed with the other non-executive directors that no individual performance evaluation of the chairman would be undertaken for the period since his appointment to that role on 20 April 2009. Such an evaluation will be undertaken in 2010.

RIT Capital Partners plc

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The Code requires the company to report on the means by which performance evaluation of the board, its committees and its individual directors has been conducted. The board has determined that the completion of a questionnaire by each of the directors covering the processes, efficiency and composition of each of the board, its committees and the directors, followed by discussion of the summarised responses is the most appropriate for the company's circumstances.

This exercise was conducted between February and March 2010, when the responses were evaluated and considered by the board and separately by the non-executive directors in a meeting without any executive directors being present.

Rolls-Royce Group plc

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The chairman and the non-executive directors meet at least once a year without the executive directors present, in order to review the operation of the board. The chairman has an annual meeting with each non-executive director to review his or her contribution to the board. The senior independent director chairs an annual meeting of the executive and non-executive directors (excluding the chairman) to review the performance of the chairman, the outcome of which is reported back to him. Each year, the chairman reviews the performance of the chief executive as part of the annual salary review process overseen by the remuneration committee. The chief executive reviews the performance of the other executive directors in the same way.

In Autumn of 2009, the JCA Group conducted a board review which took the form of a facilitated self-evaluation by the board. The review included confidential, unattributable, one-on-one interviews with each board member and the company secretary which covered corporate governance, board effectiveness, strategy development, risk management and board and committee organisation, composition, operation and dynamics. The board members unanimously agreed that the board was working as an effective whole.

The review highlighted the crucial importance of strategic execution and the need to remain vigilant to future business challenges. In addition, board members welcomed the introduction of closer co-ordination between the audit, ethics and remuneration committees.

Rotork P.L.C.

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A formal process for performance evaluation of the board, its committees and individual directors takes place annually. For 2009, the evaluation took the form of an initial questionnaire prepared in conjunction with external consultants covering a wide range of board related matters. The responses to the questionnaire were then considered by the chairman, who then conducted individual interviews with the directors taking account of trends in the questionnaire responses as well as individual points.

This questionnaire was developed and enhanced following feedback in previous evaluations to focus on those matters that the chairman considered were of most interest to board members following previous comment. The results and analysis including the main findings of the evaluation were, following the questionnaire and interviews, reported to the board by the chairman.

Appropriate action will be taken on the findings during the following year and then re-evaluated at the next annual evaluation.

The Royal Bank of Scotland Group plc

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The board has undertaken a formal and rigorous evaluation of its own performance and that of its committees and individual directors.

In 2008, this was conducted internally using detailed questionnaires and individual meetings with each director. Amongst the areas reviewed were the role of the board and committees, composition, meetings and processes, performance and reporting, and external relationships. The board has considered and discussed reports on the outcomes of the evaluations and is satisfied with the way in which the evaluations have been conducted.

A number of initiatives are already underway aimed at improving the overall performance and effectiveness of the board, including further board appointments, restructuring board agendas and allowing more time at board meetings to consider strategic issues. In addition, a number of actions have already been taken to enhance reporting to the board and audit committee on risk matters, liquidity and funding.

In addition, the former chairman evaluated the individual performance of each director. The former senior independent director canvassed the views of the executive directors and met with the non-executive directors as a group without the former chairman present to consider his performance.

Royal Dutch Shell PLC

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The board carried out a performance evaluation of the board, the board committees, the chairman and each of the directors. As in previous years, this was an internal exercise led by the nomination and Succession committee.

The board agreed to conduct the exercise by a combination of questionnaire and structured one-to-one interviews (see table below). This was followed by a discussion by the full board of the results of the evaluation of the board and board committees, while the results of the evaluation of the chief executive officer and the other executive directors were discussed by the chairman and the non-executive directors. The evaluation of the chairman was discussed by the full board in the chairman's absence.

The performance evaluation provided feedback on what in the view of both individual directors and the board went well and what could be improved further. Directors were generally positive about the meetings of the board and its processes and operations and a number of new initiatives implemented since the Summer by the chairman and the new chief executive officer, including the greater interface of the board with the whole of the executive committee and the new format of the involvement of the board in strategy formulation and the strategy day, were well-received.

In 2010, the board was planning to devote particular attention to the system of risk reporting and contingency planning.

Performance evaluations	Evaluation of the interview arrangement
Board	Chairman to interview non-executive directors
	Chairman to interview chief executive
	Deputy chairman to interview chairman
	Chief executive to interview executive directors
Board committees	Committee chairman to interview committee members
Chairman	Deputy chairman to interview all directors
Non-executive directors	Chairman to interview each non-executive director
Chief executive	Chairman to interview chief executive
Executive directors	Chief executive to interview executive directors

RSA Insurance Group plc

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In 2009, the board undertook an annual evaluation of its performance to assess how well the board, its committees and the directors were performing. The review included the use of a comprehensive questionnaire. Responses from the questionnaire were collated and subsequently discussed by the board and they have concluded that the board was operating well. Following the 2009 review, the board have continued to improve agenda management for board meetings to ensure that adequate time is made for the debate and exchange of ideas to support effective decision-making. The chairman has recommended that an external review of the board be carried out in 2010 in accordance with current best practice.The non-executive directors are responsible for the evaluation of the chairman's performance and take into account the views of the executive directors in their evaluation. As part of the ongoing performance evaluation process the chairman has regular one-to-one meetings with each of the non-executive directors.

SABMiller plc

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A formal evaluation of the performance and effectiveness of the board and of the audit, remuneration, nomination and corporate accountability and risk assurance committees is carried out each year, led by the chairman, with input from the senior independent director and in consultation with other directors and the company secretary. The process was once again facilitated by completion by each director of a questionnaire, and supplemented by individual meetings between the chairman and other directors where necessary. The questionnaire is refined each year as appropriate to focus on the progress made in addressing the key issues raised in the previous performance and effectiveness evaluation conducted for the previous year. Mr Armour was not included in this process, which had been completed before he joined the board. The performance of the chief executive is reviewed by the remuneration committee and this review is shared with and considered by the board. The performance of the chief financial officer is reviewed by the chief executive and the remuneration committee, and reported on to the board by the remuneration committee. Each non-executive director's performance is evaluated by the chairman, in consultation with the senior independent director, who in turn consults with the executive directors and the company secretary. The chairman's performance is evaluated against the same criteria by the senior independent director, the non-executive directors and the company secretary, taking into account the views of the executive directors.

In considering the contribution of individual directors for the year under review, performance was assessed against the company's selected criteria of strategy, expertise in their field, ethics and governance factors, commitment, profile, knowledge of the industry and team contribution, culminating in an overall contribution rating. The chairman was satisfied that the performance assessment process and criteria adequately covered all of the appraisal factors suggested by the Higgs Report. A rating scale of 'poor', 'below average', 'average', 'above average' and 'fully satisfactory' was used in assessing directors' performance against the criteria. The performance and contribution of each director was assessed as either 'above average' or 'fully satisfactory', while recognising the importance of the different roles played by individual directors in bringing a balanced overall view to the board. In reviewing the performance of the board and its committees, the chairman and the senior independent director were aligned in their conclusion that, measured against the principal duties expected of it, the board (including by extension its standing and ad hoc sub-committees) continued to operate effectively and to meet in full its obligations to support management, to monitor performance across a wide area, and to maintain its strategic oversight.

In a meeting of the chairman, the senior independent director, the committee chairmen and the company secretary, the results of the performance and effectiveness evaluations conducted in respect of the board, each of the directors, the chairman, the senior independent director and each of the board's four standing committees were reviewed. Regarding the board committees, each of the committee chairmen expressed their views regarding the operation of his committee against its terms of reference and the performance and effectiveness of that committee. These views were discussed in an open and constructive manner with recommendations arising from the discussions being brought forward to the board and the respective committees. The conclusion of this meeting was that the board was balanced and operated effectively and that the board committees discharged their duties under which their respective terms of reference operated effectively. Each of the directors and the chairman had been assessed to be performing at least satisfactorily and continued to demonstrate commitment to their respective roles and to devote sufficient time to the fulfilment of their duties. The results of the performance and effectiveness assessment process as outlined above were reviewed in full and approved by the board. The board is satisfied with the developments made in addressing the matters identified in the 2009 evaluation as requiring further consideration, and will address the minor areas identified in the most recent evaluation process during the forthcoming period.

The Sage Group plc

Page 43

The members of the board have evaluated the performance of the board, its committees and individual members at meetings and also through the completion of detailed questionnaires. The questionnaires cover a range of issues relating to the board's role and its responsibilities, the conduct of board meetings and the structures in place to ensure that the board has the opportunity to debate fully areas of concern, the leadership and culture of the group. The questionnaires also consider board communications, governance and the performance of the committees and their members. The completed questionnaires are reviewed and considered by the chairman and by the board as a whole. The chairman follows this review with meetings with individual directors. The company secretary also raises the areas covered by the questionnaires for discussion with key executives who support the board and the committees and key advisors and reports their views to the chairman. This year's review identified new themes and topics for inclusion in the board agenda for next year; and a need to increase the time available for board meetings.

J Sainsbury plc

Page 30

The board agreed that this year's evaluation exercise should be conducted by Tim Fallowfield, the company secretary. Having agreed the key objectives with the chairman, he prepared a detailed questionnaire for the directors which followed the format of last year's exercise in order to track year-on-year responses, and included additional questions relating to specific areas of focus. He then met with each director separately for in-depth discussions about the board's role and structure, contribution to strategic planning and risk management, board process and dynamics, and any emerging issues. The performance of the board committees was also reviewed. Some members of senior management were asked for their views. He then presented the findings to the board for discussion, identifying what was working well and areas which could be improved or approached differently. The board concluded that it was working effectively. The action plan from the 2009 review had been implemented and the board was satisfied with the progress that it had made during the year. An action plan was agreed to address the themes which emerged from this year's exercise; these included new board processes, aspects of board succession, and engagement with the wider management team and other parts of the business.

The senior independent director reviewed the chairman's performance with the other directors and subsequently met him to provide feedback. The chairman separately reviewed the contribution of each of the directors with them.

Schroders plc

Page 41

The board, led by the chairman, reviewed the effectiveness of the board and the principal board committees. The board considered alternative evaluation methods and agreed that internal evaluation, using a Schroders specific questionnaire complemented by interviews between the chairman and individual directors where required, was appropriate. The performance of the board committees and individual directors was considered as part of this evaluation process. The responses to the questionnaires were analysed and discussed with the chairman. A report was prepared on the findings of the evaluation process and this was considered by the whole board at its meeting in March 2010.

The performance of the chief executive was considered by the chairman's committee against his agreed objectives for the year. The outcome was discussed by the chairman with the chief executive. A meeting of the non-executive directors, led by Sir Peter Job in his role as senior independent director, also assessed the performance of the chairman with input from the whole board. Sir Peter discussed the outcome of this review with the chairman.

Scottish & Southern Energy plc

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The board, the board committees and the individual directors participate in an annual process of performance evaluation. The board evaluation process this year was carried out by external facilitators, Independent Audit Ltd. This was the first time that the board evaluation had been carried out by an external party. The evaluation process involved individual meetings with each director, the company secretary and senior managers who have experience of the board and committee meetings. The findings of Independent Audit were issued to the board and the senior managers, and formed the basis of a presentation and full discussion at the board

meeting in January 2010. The board found the outcome of this external evaluation very helpful in focusing on certain areas of the board and company business. In particular, Independent Audit were asked to look at risk governance, and they had a number of helpful recommendations covering matters which could merit further consideration, such as risk management, structures and responsibilities.

Other recommendations addressed board and senior executive succession planning, and more regular meetings of the non-executive directors and chairman, in the absence of management. Following their report, a number of the recommendations are being taken forward by the board for further review. The report of Independent Audit was, however, very reassuring about the high level of board effectiveness in general.

Directors also participated in detailed reviews of individual performance which were carried out in one-to-one meetings with the chairman. The process for evaluating the chairman involved a separate meeting of the non-executive directors chaired by the senior independent director.

The board external review was welcomed as a constructive exercise, and will be repeated at regular points in the future.

Scottish Mortgage Investment Trust PLC

Page 23

The nomination committee met to assess the performance of the chairman, each director, the board as a whole and its committees, after inviting each director and the chairman to consider and respond to a set of questions.

The appraisal of the chairman was led by Mr MM Gray. The appraisals considered, amongst other criteria, the balance of skills of the board, the contribution of individual directors and the overall effectiveness of the board and its committees. Following this process it was concluded that the performance of each director, the chairman, the board and its committees continues to be effective and each director and the chairman remains committed to the company.

A review of the chairman's and other directors' commitments was carried out and the nomination committee is satisfied that they are capable of devoting sufficient time to the company. There were no significant changes to the chairman's other commitments during the year.

Segro plc

Page 64

An external board evaluation was conducted in 2008 and the board proposes to conduct an external review periodically.

During the year, the chairman with the assistance of the company secretary, led a formal review of the effectiveness of the board and its committees. Each director completed a detailed appraisal questionnaire and an analysis of the findings was presented to the board and the chairmen of the committees.

The senior independent director, with the non-executive directors, led a performance evaluation of the chairman. Likewise, the chairman with the non-executive directors, conducted a performance evaluation of the chief executive. The chief executive undertook reviews of the performance of the executive directors. His conclusions were presented to the chairman and the non-executive directors.

The results were positive and action plans were agreed on the few points that were identified. The board agreed to regularise the process for post-investment reviews, to spend more time with regional management teams, to continue to hold off-site strategy days and to review the succession planning process.

In last year's board evaluation, the following actions were recommended to improve performance including, holding board meetings at different locations across the group, site visits for the non-executive directors and for the chairman to hold private meetings with the directors. During the year progress was made on each of these actions.

Serco Group plc

Page 61

The group recognises the importance of a comprehensive evaluation process for the board and ensures that comments and recommendations are considered carefully and implemented where appropriate to ensure its continued development. A formal evaluation has been undertaken of the performance of the board and its committees during 2009. The evaluation was performed through the completion of an evaluation questionnaire followed by one-to-one meetings for all directors. The audit committee evaluation was performed by an external facilitator. Matters covered by the board questionnaire included: the effectiveness of board meetings; risk and risk management; group strategy; the structure and composition of the board including the skill-set and experience of its members; finance and strategy; and stakeholder engagement. The board concluded that appropriate actions have been put in place to address all matters raised, including those identified as part of the 2008 review, and that overall the board and its committees continued to operate effectively throughout the period.

The directors continue to believe the experience and diversity of the board members are key strengths, along with a strong sense of value. The board feel well-informed and key issues such as risk and strategy are well-managed, with sufficient opportunity for challenge and debate. A revision to the timings of board meetings to improve the timing of information flow has been implemented, however, the number of board meetings is a subject which the board intend to keep under review. The composition of the board remains a key focus, with the recruitment of a new chairman being a critical factor in this regard.

The use of an external facilitator was considered for the evaluation of the board and all its committees, as it was for the audit committee, and it was agreed that the internal process followed was sufficiently robust. This will be kept under close consideration for future periods and the board will remain mindful of any governance requirements that may evolve on this matter.

In addition, an evaluation of the chairman's performance led by the senior independent director (taking into account the views of both the non-executive and executive directors) was carried out during the year.

Severn Trent Plc

Page 37

In 2008/09, the board participated in a formal evaluation of its own performance and that of individual directors. To ensure independence and objectivity the review was externally facilitated by Praesta Partners LLP. We noted that although the board was effective across key aspects of its role and supporting processes, the directors felt that they needed to move the emphasis of the board's attention from detailed operational issues to long-term strategic issues.

In 2009/10, working closely with Tony Wray, your CE, and Fiona Smith, the company secretary, we structured the content of the board and committee agendas to support that move in emphasis.

In April 2010, the board commenced a review of its effectiveness and the effectiveness of its key committees. That review is being led by me, your chairman, assisted by Fiona Smith, and facilitated by Lintstock, an independent firm of corporate governance advisors. The review is in the form of an online questionnaire to be followed by a series of confidential interviews between each director, the company secretary and me. I shall present the results of the review to the board at its meeting in July and the results of that review will form part of my successor's induction pack.

Shire Pharmaceuticals Group plc

Page 40

The company engaged an independent external consultant to conduct the board effectiveness evaluation review in 2009. The board considered the timing of the review to be appropriate, given that Mr Emmens and Mr Russell have been respectively chairman and chief executive officer of the company since June 2008. To ensure that the review was as effective as possible the comments made by board members were non-attributable. Each board member completed a confidential questionnaire and then met individually in person with the external consultant. The external consultant also attended board and committee meetings as an observer to review the culture and board dynamics. The review was broad ranging and included consideration of the quality of briefings received from management, whether the board's time was well-managed and whether sufficient time was reserved for the key issues facing the company, the

quality of discussion at meetings, the effectiveness of the chairman, how well the board committee's are functioning, views on individual contributions from board members and the overall composition of the board. As part of the review the board considered the transition of Mr Emmens to chairman and Mr Russell to CEO and it concluded that the transitions had been very successful.

The board also considered whether the chairman and other members of the board were able to devote sufficient time to their roles given their other commitments. The board concluded that Mr Emmens and the other members of the board had been able to do so. Each board member received a report aggregating the responses and findings from the review. The board dedicated a meeting, facilitated by the external consultant, to review and discuss the findings of the evaluation.

Smith & Nephew plc

Page 52

Towards the end of 2009, the board undertook a review of its effectiveness and the effectiveness of its key committees. The review was led by Rolf Stomberg, the senior independent director, assisted by the company secretary and facilitated by Lintstock, an independent firm of corporate governance advisors.

The review took the form of an online questionnaire followed by a series of detailed confidential interviews with each director and the company secretary.

In February 2010, Lintstock presented the results of the review to the board. Overall, the review concluded that the board and its committees operate effectively, that individual directors bring a range of skills and experiences to the board and that the non-executive directors in particular provide effective challenge to the executive team.

The board concluded that during the year, progress had been made in a number of areas relating to the effectiveness of the board processes and identified further areas for improvement which could be made in 2010.

Smiths Group plc

Page 69

The board undertakes a formal and rigorous annual evaluation of its own performance and that of its committees and each director. The board, led by the chairman, used a detailed questionnaire, completed by each director, as the basis of these evaluations.

The performance evaluation of the chairman is led by the senior independent director who obtains the views of both the executive and non-executive directors.

The directorships in listed companies and other significant commitments of the chairman and the non-executive directors are shown on page 61. It is confirmed that the chairman and the non-executive directors have sufficient time to fulfil their commitments to the company; that the chairman does not hold the office of chairman of another FTSE 100 company; and that no executive director holds more than one non-executive directorship of another FTSE 100 company.

Soco International plc

Page 46

The committee led the board in evaluating its own performance and that of its committees and individual directors. The company secretary facilitated compilation of the results. The senior independent director facilitated relevant discussions regarding the role of the chairman.

The process was undertaken for the purpose of adding value to the quality of the board and its procedures through identifying and addressing strengths and weaknesses. Additionally, it was utilised to assess director effectiveness and the time commitments of non-executive directors.

Actions for improvement were undertaken as deemed appropriate. The committee performed a review of its TOR and of its own performance as part of this process.

Spectris plc

Page 38

An evaluation of the operation and performance of the board was conducted in 2009. The process included submissions from all board members in response to a structured questionnaire covering a range of issues, which were considered by the chairman and the senior independent director and then reviewed by the board as a whole.

Spirax-Sarco Engineering plc

Page 36

Utilising a format created with the advice of Towers Perrin (now Towers Watson), the board again carried out a rigorous evaluation of board performance in accordance with the Combined Code requirements which confirmed the effective operation of the board and reflected the importance of strategic matters. The evaluation process comprises a review conducted by the company secretary and reported to the chairman of all directors' views on the operation of the board and the performance of the chairman, the chairman's and chief executive's review of the board performance of each director, the chairman's review of the non-executive directors and the review by committee members and attendees of the operations of the audit, nomination and remuneration committees and the performance of the chairman of each of those committees. The evaluation confirmed a continued high rating for the board's operations and encompassed board constitution, board meetings, board functionality, communication and knowledge management, company secretariat performance, assessment of the chairman's performance and the effectiveness of the board's committees. Improvements are made to the board's operation as a result of the evaluation.

There are procedures for individual board members to receive induction and training as appropriate and provision to solicit independent professional advice at the company's expense where specific expertise is required in the course of exercising their duties. All directors have access to the company secretary, who is responsible for ensuring compliance with applicable legislative and regulatory requirements.

St James's Place Capital plc

Page 44

The board carried out an annual evaluation of its own performance during the year which included a review of its committees and individual directors. The evaluation was conducted by the company secretary who carried out individual interviews with each board member. The findings were presented to the board and a number of relatively minor improvements were implemented, including devoting more time at board meetings to strategic issues.

The chairman met each of the non-executive directors separately to discuss the results of the evaluation in relation to their performance on the board or its committees. Other items discussed included suitable topics for pre-board presentations, training requirements and succession plans.

The non-executive directors, led by the senior independent director, met without the chairman present to appraise the chairman's performance and to discuss other topical issues such as the overall performance of the board. The senior independent director carried out a formal appraisal of the chairman's performance during the year, using the feedback obtained during the board evaluation process.

Stagecoach Group plc

Page 25

The board assesses its own performance and the performance of each individual board member; this assessment is co-ordinated and directed by the chairman with the support of the company secretary. The senior independent non-executive director co-ordinates the board's assessment of the performance of the chairman. As part of the assessment process, the non-executive directors meet without the executive directors being present.

The non-executive directors also meet without the chairman being present. The chairman obtains feedback from each individual director on the performance of the board and other board members – this involves the completion of a questionnaire and a follow-up discussion. In the same way, the senior independent non-executive director obtains feedback from each individual director

on the performance of the chairman. A similar process is undertaken to assess the performance of each of the board's committees.

The directors have reviewed the effectiveness of the board as a whole and its committees. Each director has assessed the effectiveness of the board and each committee of which he or she is a member.The assessment of effectiveness included consideration of:

- the effectiveness of the formal board and committee meetings;
- the nature and extent of the board's interaction with the management of the group;
- the timeliness, relevance and accuracy of the information provided to the board and its committees;
- the allocation of the board's time between differing priorities including the time spent on strategic considerations relative to other matters; and
- the composition of the board and its committees.

The board has considered the results of these assessments and has concluded that overall the board and its committees continue to operate in an effective and constructive manner.

Succession planning in respect of the directors was previously identified from the assessment of effectiveness as a key area where focus was required and the appointments of Helen Mahy and Phil White during the last six months reflect the attention given to refreshing the composition of the board. Succession planning for the chairman has been identified as an important area and the nomination committee is overseeing the plans in this regard.

Standard Chartered PLC

Page 86

We believe that board effectiveness reviews should go beyond mere performance evaluation, to assess the suitability of the governance processes that support the work of the board. The internal governance review was led by our chairman and supported by our group company secretary, Annemarie Durbin. Throughout 2009, we conducted a comprehensive internal corporate governance review. The board effectiveness review formed part of that process and culminated in a series of changes which have been agreed by our board.

In September, we conducted an internal effectiveness review of our board and board committees. This was devised in conjunction with external professional input and required each director to complete a questionnaire providing feedback on the board's effectiveness and that of the committees. Directors also provided a self-assessment of their individual contributions to the board's effectiveness. Each individual director discussed his or her self-assessment with the chairman on a one-to-one basis. The chairman also discussed and agreed individualised engagement plans with each director. These plans provide a guideline for the activities that each director will undertake over the next 18 months in order to continue building on their understanding of our business. These plans include visits to markets in our geographic footprint as well as identifying areas where, as a result of a director's background and previous experience he or she can add particular value to the franchise.

We believe that we can gain value from periodically using external parties for our board effectiveness reviews. Going forward, our intention is that the board effectiveness review will be facilitated externally every third year. During 2010, we intend to use external facilitation for the board effectiveness review and, in 2011, to follow this up with an externally facilitated review of the effectiveness of the main board committees. The board considered the outcome of the 2009 evaluation at its December meeting. The findings revealed that the board believes it operates effectively and works well as a team. Our non-executive directors demonstrate a high level of engagement and their interaction with the executive directors is both challenging and constructive. Some of the key points to note were that:

- the atmosphere in the boardroom is open and inclusive and provides a rounded debate at board meetings;
- following observations made in 2008, the board has given greater focus and time to Standard Chartered's strategy (both organic and inorganic) and believes this should continue;
- our capital raising exercise in August 2009 was handled well with appropriate levels of challenge and debate;
- there was a smooth transition in respect of the chairman's succession with minimal disruption to the board and business activity.

The board believes that its effectiveness will be further enhanced going forward through a combination of fresh perspectives added by new board appointments, the revised board committee structure and our approach to directors' engagement.

Standard Life plc

Page 65

Board effectiveness is key to the group's success, so the board has, through the nomination and governance committee, developed a formal annual review process. This assesses how well the board, its committees, the chairman and directors are performing collectively and individually – and how their performance could be improved. In 2009, the process was changed significantly. After analysing available support tools, the board engaged an external supplier to provide a confidential online questionnaire. The questionnaire combined questions used in previous years with 'best practice' questions from the supplier's library. Each director completed a tailored version of the questionnaire about the board, each committee the director was a member of, the chairman's performance, and their own individual performance. Directors were encouraged to expand on their scorings and assessments with pro-active comments on where the board or committee had performed well, and where they could improve. The questions covered:

- the board's input to setting strategy;
- the quality of information presented to the board;
- the processes that support the board's activities; and
- the role, responsibilities and effectiveness of board committees.

Supergroup plc

Page 38

No performance evaluation was carried out between flotation and the financial year-end, and so the company did not comply with Provision A.6.1 of the Code. Going forward, the performance of the board, its non-executive directors and committees will be evaluated annually. It is intended that every three years this process will be carried out by an independent third party. The performance of the executive directors is monitored by the chief executive officer and the chairman.

TalkTalk

Page 29

During the period the balance of skills, knowledge and experience of the directors was reviewed. The board, and each individual director, also undertook performance evaluations. Using the Higgs *Suggestions for Good Practice* as guidance, the individual directors initially completed separate questionnaires. The results were collated for and analysed by the chairman, the senior independent director, the chief executive officer and the board as a whole. The areas covered included the roles of the executive and non-executive directors, the board, the board committees, the chairman of the company, preparation for and performance at meetings, the effectiveness of each director, leadership, culture and corporate governance. The results were then considered by the board as a specific item of business. The board intends that these exercises or similar ones continue to be carried out each year.

Following such performance evaluation, the chairman confirms that all those non-executive directors seeking re-election at the annual general meeting continue to be effective and demonstrate a commitment to the role, including having time to attend all necessary meetings and to carry out other appropriate duties. The chairman meets regularly with all the independent non-executive directors usually in the evening prior to a board meeting. This provides the opportunity to raise any questions regarding the performance of the executive directors or in respect of any other matters. The senior independent director also met with the non-executive directors, in the absence of the chairman, to assess the chairman's effectiveness, having first reviewed the results of a performance evaluation questionnaire completed by all the directors apart from the chairman. The board is of the opinion that the chairman had no other significant commitments during the period that would have affected his performance

Talvivaara Mining Company plc

Page 50

The board of directors recognises the importance of a formal and rigorous annual performance evaluation of the board members. Taking into consideration the size and stage of development of the company, the board of directors has determined that no formal performance evaluation will be conducted at this stage. However, the board of directors intends to draw up a plan for the performance evaluation of the board members during 2009.

Tate & Lyle PLC

Page 42

During the year, the chairman led an exercise to evaluate the effectiveness of the board and its committees.

As part of the process, the chairman held one-to-one meetings with each director and the company secretary. The main themes and observations on the board's effectiveness were summarised in a report to the board. It concluded that the board continued to operate in an effective manner but made a number of recommendations for improvements such as the timing of committee meetings and further enhancements to the format and content of board papers. Actions are being or will be taken to address the matters raised by the evaluation with progress monitored by the company secretary.

With regards to the performance of individual directors, the chairman concluded that all directors continue to make an effective contribution to the board's work, are well-prepared and informed about issues they need to consider and that their commitment remains strong.

During the year, the non-executive directors met together without the chairman, under the chairmanship of the senior independent director, to appraise the chairman's performance (the senior independent director having first sought the views of the executive directors). In addition, the chairman held a private meeting with the non-executive directors to appraise the chief executive's performance and to address any other matters the non-executive directors wished to raise.

The audit, nominations and remuneration committees also undertook an evaluation of their work and effectiveness during the year, the results of which were reported to the board by the respective committee chairmen. The reviews concluded that each committee was operating effectively.

Templeton Emerging Markets Trust PLC

Page 30

The board has undertaken a formal evaluation of its own performance and that of its committees and individual directors including the chairman. The board has also considered the independence of each director. The evaluation of the board, of its committees, and the performance of individual directors, was carried out through questionnaires and discussions between the chairman and each director. The chairman has been evaluated by his fellow directors, led by Sir Peter Burt, the senior independent director and such evaluations shall continue to take place at least annually.

Thereafter, the board meets as a group to review the findings. The performance and cost of service providers are considered as regular items annually on the board's agenda.

Tesco PLC

Page 47

The performance of the board is a fundamental component of the group's success. The board regularly reviews its own performance. During the year ended 28 February 2009, the board assessed its own performance. This assessment was co-ordinated and directed by the chairman with the support of the company secretary.

A questionnaire covering the main areas of evaluation was prepared by the chairman and the company secretary and formed the basis of in-depth interviews with each director. The results of the evaluation were considered by the board, and confirmed the strength of the strategic and entrepreneurial leadership of the company, a sound governance framework and practices compliant with the Combined Code.

The chief executive reviews the performance of each executive director. The chairman reviews the performance of the chief executive and each non-executive director. During the year, the chairman met with the non-executive directors, without the executive directors present, to discuss board issues and how to build the best possible team. The senior independent non-executive director met with the non-executive directors in the absence of the chairman, to assess the chairman's performance.

Thomas Cook Group PLC

Page 46

A thorough evaluation of the board and its committees was conducted during the year. This was facilitated by the group company secretary under the direction of the then deputy chairman and senior independent director. The process involved each of the directors completing a comprehensive questionnaire, which was structured to encourage both graded responses and narrative feedback in respect of a range of questions that focused on the following areas:

- board and committee composition, knowledge and dynamics;
- time management;
- support;
- strategic development and oversight;
- delegation of authority;
- risk management;
- corporate responsibility;
- human resource management;
- executive remuneration;
- mergers and acquisition transactions;
- performance of executive and non-executive directors;
- committee structure and performance; and
- priorities for change.

Upon receipt of the completed forms, the group company secretary compiled a report, drawing out the key themes and issues that were raised and formulated a number of recommendations to further enhance the overall effectiveness of the board and its committees. This report was developed and agreed with the then deputy chairman and senior independent director and circulated to the board for debate at the September 2009 board meeting. The results of the evaluation concluded that the operation of the board and its committees had improved during the year but highlighted a small number of areas where further improvement could be made as part of the natural evolution of a board that was formed two years previously upon the merger of Thomas Cook AG and MyTravel Group plc. Areas for further improvement included: a requirement for more regular reviews of executive and senior management succession plans; the need for additional non-executive directors to strengthen the board to ensure a pool of candidates for succession to the positions of the chairman and, more immediately, the senior independent director; an increase in the frequency and time allocated to the review of strategy and risk; increased exposure to members of the group executive board and other senior managers; and the fine tuning of certain regular board reports. The board debated the above and agreed the recommended actions and a forward agenda of additional key issues for review. The board and committee evaluation to be carried out in the current financial year will cover the same areas as listed above and will be designed to track progress against the agreed actions set in 2009.

The independent non-executive directors did not conduct a performance review of the chairman, Karl-Gerhard Eick, due to the short period of time that he had been in office. The independent non-executive directors and the executive directors did evaluate the performance of the deputy chairman and senior independent director as part of the board evaluation process shortly before appointing him as chairman of the company. As part of the company's performance management system that applies to management at all levels across the group, the performance of the group chief executive officer and the group chief financial officer is reviewed by the management development and remuneration committee.

3i plc

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During the year, the board conducted its annual evaluation of its own performance and that of its committees and individual directors. The chairman led the process, meeting with each of the directors to ascertain their views and discuss their answers to a questionnaire developed with the aid of external consultants. The chairman subsequently reported formally to the nominations committee and the board and also gave feedback to individual directors. In the course of this process, the board decided that it should make a change in the executive leadership of the company, and appoint a successor to Mr Yea as chief executive to manage the company through a deep recession, delivering actions to strengthen the company's financial position. In considering possible candidates, the board unanimously took the view that Mr Queen's experience as finance director, his stewardship of Growth Capital, his success in launching and managing

3i's infrastructure business, the respect in which he was held within 3i and his deep knowledge of private equity made him the outstanding choice.

The board performance evaluation included consideration of the overall functioning of the board including strategic planning, risk management processes, board balance and succession issues, meeting management and the work of the board's committees, and agreed on a number of changes designed to maintain focus on the challenges facing the company in turbulent economic times. It was agreed that it was helpful to continue to hold additional ad hoc board meetings where circumstances warranted this, and the board continued to identify areas where its working practices could be developed further.

The board reviewed its non-executive membership and agreed to commence processes to recruit directors to replace those likely to leave the board in the next two years. It further decided to appoint Mr Robert Swannell as senior independent director in 2009–10, succeeding Mr Oliver Stocken, who would by then have been on the board for nine years. Mr Stocken remained deputy chairman. In his role as senior independent director during 2008–09, Mr Stocken led a review by the directors of the performance of the chairman and subsequently reported back to the board. In view of the change in executive leadership, the board asked the chairman to delay her retirement from the board for an appropriate period.

Travis Perkins plc

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During the year, the board undertook an evaluation of its performance and the performance of its committees and the individual directors.

This consisted of interviews by the chairman with each other director and the company secretary separately, focusing on the operation of the board and, its committees and in particular on those matters identified in 2008 where measures were taken to enhance performance.

These interviews formed the basis of a report by the chairman that was the subject of a discussion by the board, which was satisfied that the process showed that the board and its committees worked effectively.

However, it agreed a number of measures, in particular relating to the presentation of board business, the format of its meetings, and the process for its consideration of risks faced by the group, aimed at further enhancing its performance. A board evaluation process will be carried out in 2010.

Tui Travel PLC

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An assessment of the performance of the board and its individual directors was commenced during the year. The board's effectiveness was assessed by means of a detailed questionnaire which was designed by the company secretary and completed by each director. The questionnaire covers 16 areas including the processes for setting the strategy of the company, monitoring business performance, corporate governance and the effectiveness of the executive directors, non-executive directors (including the chairman) and the board's committees. The results were fed back to the chairman and a full debate is scheduled to take place in the board before the end of 2009 An assessment of each individual director's performance is undertaken annually. The performance of each director is measured against 12 criteria with peers being requested, confidentially, to rate that director's performance by reference to the criteria. The chairman then discusses the overall result for each director with him or her and any concerns are addressed.

Tullow Oil plc

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The 2009 evaluation of the board, its committees and individual directors was, as in 2008, carried out internally, but this year was led by Steven McTiernan, the senior independent director.

In summary, the 2009 board evaluation concluded that there had been considerable progress in many areas since the last full external evaluation in 2007 and the internal evaluation in 2008. The more recent directors have settled in well to their board duties and contributed fully at meetings. Corporate strategy is believed to be well-defined, understood and disseminated throughout the organisation to all stakeholders.

The re-ordering of board agendas in 2009 focused debate on the key strategic issues facing the group and communication with employees has improved substantially.

The board recognised, however, that Tullow's exceptional growth and success had also brought challenges and that the board must continue to upgrade its approach and composition to meet them. Succession planning for directors was recognised as an area that will require special attention in 2010, to ensure that the board continued to have available to it the correct balance of skills and experience to meet the financial, operational and governance challenges of growth.

The board's committees continued to operate efficiently, and although consideration was given to changing the composition of the committees it was felt that the current structure continued to suit Tullow for the time being. Certain improvements in communications between the committees and the full board were noted for action in 2010.

As part of the board evaluation, the senior independent director had discussions with each of the directors on his or her individual performance and separately, the non-executive directors have reviewed the performance of the chairman with input from the executive directors. The board is of the view that each non-executive director commits sufficient time to discharge his or her duties effectively.

In conclusion, while recognising the need for continued improvement in the structure of board meetings and administrative procedures, the board members considered that the board continues to function in a manner that encourages open and honest discussion in an environment of trust and mutual respect.

Ultra Electronics Holdings plc

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Following the recommendations of the Code, the board operates an evaluation process in which the effectiveness of the board, its sub-committees and each individual director are assessed over a rolling two-year period. The chairman is responsible, on behalf of the board, for overseeing this process, which is carried out by an independent external consultant. He is supported in this regard by the company secretary. In 2008, the main board and its subcommittees were reviewed, using a questionnaire that was completed independently by all members of the board. The scope of the review covered the board structure, processes and administration, together with the distribution of information.

In 2009, the contribution of each individual director was assessed by the rest of the board. This stage was based upon a questionnaire that was completed by each individual director. The results of this survey were processed and fed back separately to each individual and in total to the chairman. Its results were communicated to the directors in a written report and considered at a subsequent meeting. This review cycle is repeated every two years

Unilever PLC

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The evaluation process of our boards consists of an internal exercise performed annually with an independent third-party evaluation carried out when the boards consider appropriate. The last time an independent third-party evaluation was carried out was in 2006.

Since 2007, the chairman, in conjunction with the senior independent director, has conducted the internal evaluation process which includes an extensive questionnaire for all board members to complete. In addition, each year the chairman conducts a process of evaluating the performance of each individual board member, including an interview with each.

The evaluation of the performance of the chairman was led by the senior independent director. Committees of the boards evaluate themselves under supervision of their respective chairmen taking into account the views of respective committee members and the boards. The results of the various evaluations were discussed by the boards and changes were made in respect of board practices and processes where considered necessary. The boards agreed to an enhanced board training programme in 2010 that would concentrate on further instruction and familiarisation with Unilever and its businesses.

In addition, formal training for non-executive directors will also be enhanced in 2010, and all directors will be encouraged to attend events of importance in Unilever's calendar such as investor relations seminars.

United Business Media plc

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A formal review of board and committee performance and effectiveness was conducted by means of an internal process in 2009. This was carried out by means of confidential questionnaires which were completed by all board directors and the results collated by the company secretary. A separate questionnaire was completed by all directors in respect of the chairman's performance and the results collated by the senior independent director.

Areas covered by the review included the roles and processes of the board and its main committees; board and committee dynamics and culture; succession planning; corporate governance; and risk management and control. The review concluded that the board and its committees continue to operate effectively. Evaluation of the performance of individual non-executive directors is carried out by the chairman with input from the senior independent director and chief executive; the chief executive's performance is evaluated by the chairman and the chief financial officer's performance is evaluated by the chief executive. The non-executive directors met without executives present to discuss board processes and management succession.

United Utilities Group plc

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During the year, the board conducted an evaluation of its own performance and that of its committees and individual directors. The process involved the completion by each director of a confidential questionnaire in a form consistent with previous years and which was modelled on the *Chairman's Guide to the Board Performance Review* published by the chairman's forum. Each director was required to score the board's performance (and that of the principal committees) on approximately 40 topics, including: contribution to strategy; risk management; financial and operational reporting; matters reserved for the board; communication; company and board advisors; relations with the group's regulators and investors; and board procedures.

The company secretary analysed the completed questionnaires and summarised the findings in a report for the chairman, which highlighted and prioritised the key areas of feedback and provided a comparison with the previous year's evaluation. The chairman subsequently conducted one-to-one discussions with each of the board members based upon the summary report about the board's performance and their own as directors, after which he reported back to the whole board on the evaluation process. The responses to the questionnaires demonstrated a high degree of consistency and the evaluation process affirmed the board's confidence in the group's system of corporate governance. Arising from the 2009/10 exercise, the board has concluded that an enhanced focus should be placed on succession planning for board members and key personnel. The members of the audit, nomination and remuneration committees, together with the managers and advisors who attend those committees, completed separate confidential questionnaires upon the effectiveness of the principal committees. Similarly, the chairs of those committees undertake evaluation based upon the feedback that is received. As part of good governance, the chairman holds meetings with the non-executive directors without the executive directors present. In turn, led by the senior independent director, the non-executive directors meet without the chairman present at least annually to appraise the chairman's performance. The chief executive officer conducts annual appraisals with executive directors and the other members of his senior management team and has one-to-one discussions about their performance with them, as does the chairman with the chief executive officer.

Vedanta Resources PLC

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During the year, the performance of the board, its main committees and the individual directors were formally and rigorously evaluated under the leadership and direction of the chairman. The evaluation was carried out by circulation of a detailed questionnaire concerning the board, its committees and the individual director's performance. The responses were collated and summarised. The chairman spoke individually to all the directors in respect of the results and the board also collectively discussed the results. Various actions were put into place as a result.

The evaluation process concluded that the board as a whole provided strong strategic leadership and sound systems of control were in place. Board processes were well-managed. The main committees continued to operate effectively and individuals also performed well. Areas identified for review or improvement were communication with shareholders and other stakeholders. This area will be further strengthened during the year. As in previous years, the non-executive director, led by the senior independent director, considered as part of the evaluation process, the performance of the chairman and provided him with feedback.

Victrex plc

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A formal evaluation of board, board committee and individual director's performance is carried out annually. The 2010 board evaluation comprised an internal evaluation process including questionnaires and individual meetings between the chairman and each director and appropriate follow up discussions. The chairman's performance is reviewed by the remuneration committee in conjunction with the chief executive. The other non-executive directors' performance is evaluated by the chairman in consultation with the executive directors. Executive directors' performance is reviewed by the remuneration committee in conjunction with the chief executive, except in the case of his own performance review.

The evaluation process concluded that the board and its committees remain effective in fulfilling their responsibilities appropriately and that each director continues to demonstrate a valuable contribution. Actions agreed as a result of the board evaluation included the appointment of a non-executive director as the chairman of the risk management committee to further improve board oversight of the risk management process and further development of talent management at board and senior executive levels. An external board evaluation process will be carried out in 2011 pursuant to the new Code.

Vodafone Group PLC

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Performance evaluation of the board, its committees and individual directors takes place on an annual basis and is conducted within the terms of reference of the nominations and governance committee with the aim of improving individual contributions, the effectiveness of the board and its committees and the group's performance. This year, the performance evaluation was conducted by an independent external advisor, MWM Consulting (MWM). This process involved:

- MWM devising an appropriate questionnaire, with assistance from the chairman, which was sent to all board members;
- MWM undertaking individual meetings with each board member and the company secretary on board performance; and
- in conjunction with the chairman, MWM producing a report on board performance using the completed questionnaires and individual meetings which was sent to and considered by the nominations and Governance committee before being discussed with board members at the following board meeting.

The evaluation was designed to determine whether the board continues to be capable of providing the high level judgement required and whether, as a board, the directors are informed and up-to-date with the business and its goals and understand the context within which it operates. The evaluation also included a review of the administration of the board covering its operation, its agenda, the reports and information produced for its consideration, committee processes and the board's relationship with its committees. MWM reported that the board is strong and effective. The board has chosen to broaden and deepen its focus on strategic topics and to continue to strengthen its capabilities in technology and is gaining insights into changing consumer behaviour.

The chairman also held individual meetings with each non-executive director and the chief executive to discuss their individual performance. The chief executive undertook the performance reviews for the executive directors and the senior independent director conducted the review of the performance of the chairman by having individual meetings with all the other directors and the company secretary.

Following this process, the senior independent director produced a written report which was discussed with the chairman. The report's findings reflected MWM's view that the chairman provides outstanding leadership in focusing the board's efforts and ensuring open and constructive debate.

The evaluation of each of the board committees was undertaken using observations from the MWM report. These were then discussed by each of the committees. The evaluations found that the committees operate efficiently and effectively. The evaluations undertaken in the 2010 financial year found the performance of each director to be effective and concluded that the board provides the effective leadership and control required for a listed company. The nominations and governance committee confirmed to the board that the contributions made by the directors offering themselves for re-election at the AGM in July 2010 continue to be effective and that the company should support their re-election. The board will continue to review its procedures, its effectiveness and development in the financial year ahead.

The Weir Group plc

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A formal process for evaluating the performance of the board is undertaken annually. This process is conducted internally, based on a detailed questionnaire completed by each director as well as individual and collective discussions.

The evaluation examines the balance of skills of the directors, the operation of the board in practice including its corporate governance and the operation and content of board meetings. The findings are used to assist the board in its consideration of the opportunities for improvement in the performance of the board and its directors.

The board also conducts an internal review of the effectiveness of the audit, nomination and remuneration committees incorporating a questionnaire covering such matters as the role and organisation of each committee, meeting arrangements, information provision and effectiveness. Following completion of these questionnaires by the members of each committee, the chairman meets with each of them to discuss the feedback.

The results of the evaluation for 2009 were reported to the board and, where areas for improvement had been identified, actions were agreed.

Additionally, a one-to-one appraisal of all board members is undertaken annually by the chairman. An appraisal of the chairman is carried out by the senior independent director, with input from other board members.

Whitbread PLC

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During the year, the performance of the board, and individual directors' contributions to the board, are appraised by the chairman. This year, each director completed a formal questionnaire on the board's performance and the chairman met or spoke to each director on a one-to-one basis. The performance of the board's committees was also reviewed during the year.

The results of the review were discussed by the board and appropriate action plans were agreed. There was a consistently positive response from directors on the effectiveness of the board and its committees. The main themes arising from the review were around target setting and training. Actions to deal with the points raised have been implemented.

The performance of the chairman is evaluated during the year by the senior independent director who reviews the chairman's performance with each of the directors and discusses the results with the chairman.

William Hill PLC

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A process of performance evaluation of the board, its committees and directors is undertaken on an annual basis and the process undertaken for 2009 involved the following:

- the four board committees conducted a review of their terms of reference and continued to assess committee performance;
- one-to-one meetings were held between the chairman and each director to assess individual director performance and to allow any other issues to be raised; and
- the performance evaluation process concluded with an assessment by the board of its own performance, feedback to the board from the chairman of each committee and the board, and the approval of action to address issues raised.

The senior independent non-executive director led the process for the evaluation of the chairman's performance, involving discussions with each other director, a meeting with the other independent non-executive directors and feedback to the chairman.

Wolseley plc

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Board to be effective and to demonstrate commitment to his respective role. A recommendation from recent UK governance reports, including the Walker Report and the Governance Code, was that external board performance evaluation be completed every three years. Consistent with this recommendation, a full evaluation of the board's own performance and that of the individual directors was completed with the assistance of an external facilitator during 2009. Using the results of that review, this year the board further analysed its performance and effectiveness and focused, in particular, on the areas for improvement that had been previously identified. The changes to the composition of the board, improved succession planning and the increased focus on customer service, have contributed to the effectiveness of the board's performance.

During 2010, the audit and remuneration committees each conducted a detailed assessment of their own effectiveness, using a set of questions which had been adapted to address the activities and concerns of each committee. The questions were in the form of online surveys which encouraged comment and qualitative evaluation of each committee's effectiveness, its individual members and the contributions received from advisors. The results of the surveys formed the basis of discussion of areas for further improvement by each committee and actions were then taken to change the scope, content and timing of items to be considered by each committee.

The board and its committees will continue to critically review their procedures, effectiveness and development throughout the year ahead and the chairman has reiterated that should any director have any concerns or observations which they wish to raise, these should be notified to him directly or to the group company secretary.

John Wood Group PLC

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In 2009, the board completed a formal evaluation of its own performance and of its committees, individual directors, and of the chairman. This involved directors completing detailed questionnaires, the results of which were analysed by the company secretary. A presentation of the results was made to the full board. The results were discussed both at a full board meeting and separate meetings between each director and the chairman. The non-executive directors, led by the senior independent director, are responsible for the performance evaluation of the chairman, taking into account the views of the executive directors.

WPP Group plc

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The board again completed, in 2009, as part of its commitment to rigorous standards of corporate governance, a thorough self-evaluation. All directors completed a confidential questionnaire in this regard and identified opportunities for improvement. Separate conversations were then held between each director and either the chairman or the senior independent director, who also led the non-executive directors' assessment of my performance as chairman. Based on this process, we continued our tradition of implementing changes to enhance the board's performance of its responsibilities.

Xstrata plc

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The board evaluation this year comprised two questionnaires completed by each director: one on the performance of the board and its committees; and the other, an individual director appraisal by the other directors. The process was overseen by the senior independent director with the support of the company secretary. In general, directors were very satisfied with the board's performance and there were no serious issues raised regarding the board's performance that needed to be addressed. The audit committee regularly reviews major group and business unit risks, mitigating actions, and the group-wide process of identifying risk, and the outcome of the audit committee's review is communicated to the board. As a result of the evaluation, it was agreed that in future the full board should take ownership of the responsibility for risk. The full board will receive copies of the group and business unit risk registers and these will be reviewed in the context of group and business unit strategy and planning discussions at board meetings. Another result of the evaluation was that, given the complexity of remuneration policies and packages across the group, a full presentation outlining and explaining remuneration policies in the group will be given annually to the full board. It was agreed that the board evaluation in 2010 will be conducted by an external evaluator.

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