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## Pay increases for FTSE-100 NEDs averaged 15% in 2008

- Overall average NED pay rise of 6.3%
- Has the increase in pay translated into better corporate governance?

Non-executive directors (NEDs) of FTSE-100 companies who were given pay increases last year saw their fees jump by an average of 15%, reveals the latest annual review of NED pay by Incomes Data Services (IDS) (based on accounts with year ends falling in the 12 months to July 2008).

IDS says that the overall average increase in FTSE-100 NED pay (including those companies that froze NED pay during this period) was 6.3%, reaching an average of £57,056.

Although IDS points out the average overall pay increase for FTSE-100 NEDs was slightly lower than last year's 9.2% the rises came against a backdrop of dividend cuts, rights issues, tumbling market capitalisations, profit warnings and requests from banks and other business sectors for Government intervention.

Says Steve Tatton, Editor of the IDS Executive Compensation Review: "Since Enron the pressure has really been on companies to appoint NEDs who will be proactive and engaged board members who are willing and able to challenge the strategy and risk-taking proposed by their executive colleagues. Shareholders have accepted that this means they have to pay more and more to get the right people for what is an increasingly demanding role."

"Shareholders have a right to wonder where all this investment of time and money into corporate governance has got them and what steps now need to be taken to get the corporate governance framework to function properly."

FTSE-100 Chairmen fees increased by an average of 7.2% during this same period reaching an average of £341,124.

IDS's research shows that the average NED fee for 2008 was £57,056 and for 2007 it was £53,499.

Says Steve Tatton: "No doubt that the pressures from the increases in corporate governance responsibilities are pushing up rates for NEDs."

"It may seem right to pay NEDs more for extra responsibilities but in the light of the current financial crisis that seems to be the wrong question. The question is no matter how much they are paid, can we expect part-time NEDs to effectively monitor complex modern corporations. Whatever the merits of NEDs, it is perhaps the present corporate governance structure that is not fit for purpose."

In 2008, NED fees ranged from £29,000 to £120,000, and Chairmen fees ranged from £75,000 to £640,000. Earning £29,000, the NEDs of **Alliance Trust** are the lowest paid of the FTSE 100. Alliance Trust's Chairman is also the lowest paid of the FTSE-100 Chairmen, earning £75,000 in 2008.

Highest Paid NEDs in 2008			
Company Name		NED Fees (£)	% change in share price in 2008
1	Kazakhmys	120,000	-82.8
2	Vodafone	110,000	-25.2
3	Eurasian Natural Resources	100,000	-50.4

NED Fees at the FTSE 100 banks		
Company	NED Fees (£)	% change in share price in 2008
Royal Bank of Scotland	65,000 (in 2007)	-86.5
Lloyds TSB	65,000	-73.1
Barclays	65,000	-68.8
HSBC Holdings	65,000	-20.7

Biggest increase in NED fees in 2008					
Company		Fee in 2007 (£)	Fee in 2008 (£)	Increase	% change in share price in 2008
1	BT	40,000	60,000	<b>50%</b>	-50.0
2	Pearson	45,000	60,000	<b>33%</b>	-12.6
3	Reed Elsevier	45,000	55,000	22%	-25.8
3	Whitbread	45,000	55,000	22%	-32.1

Biggest increase in Chairmen fees in 2008					
Company		Fee in 2007 (£)	Fee in 2008 (£)	Increase	% change in share price in 2008
1	Aviva	375,000	475,000	<b>27%</b>	-41.0
2	Anglo American	360,000	450,000	25%	-49.0
2	Reckitt Benckiser	240,000	300,000	25%	-10.7

ENDS

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