

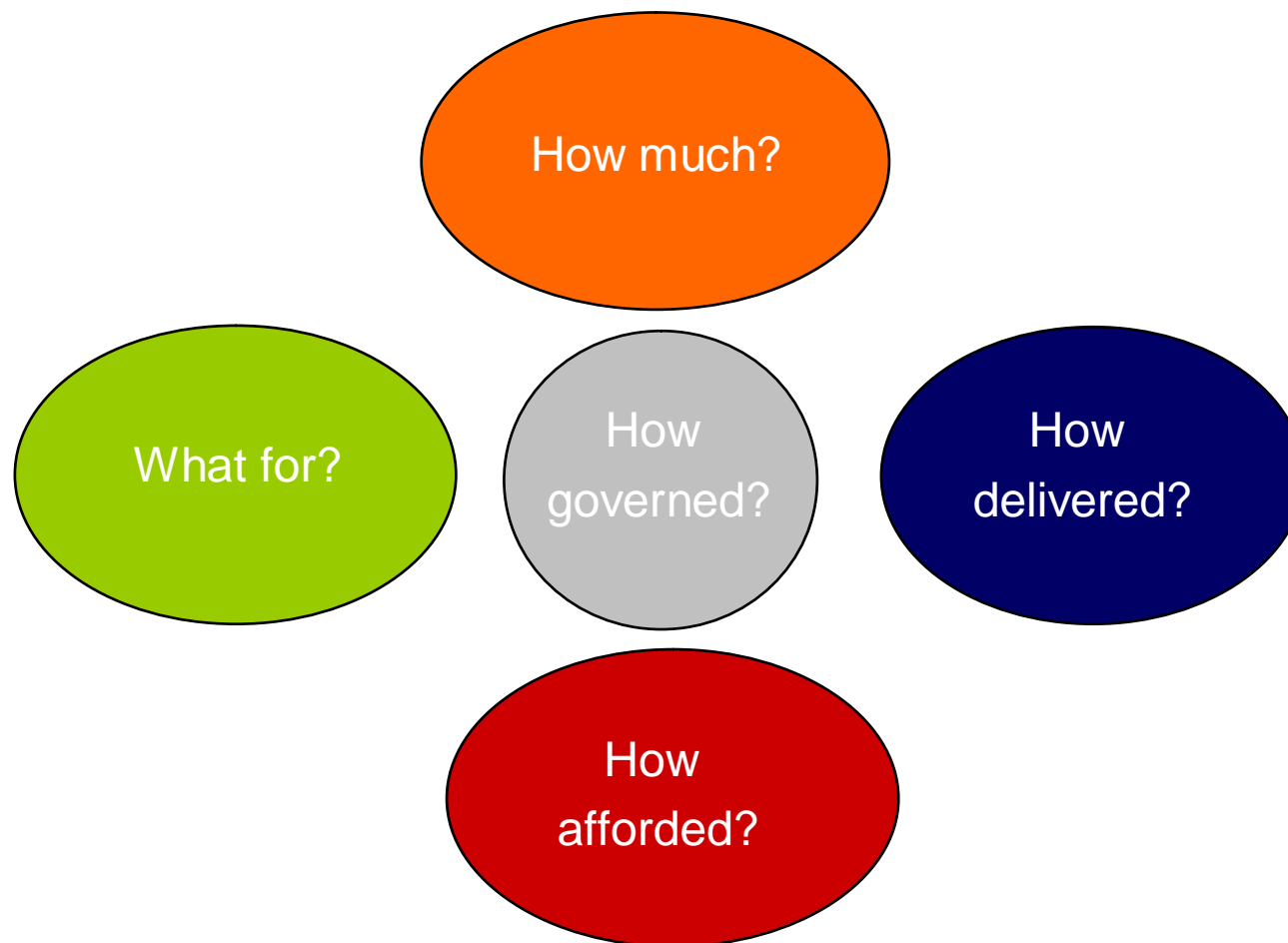
watsonwyatt.com



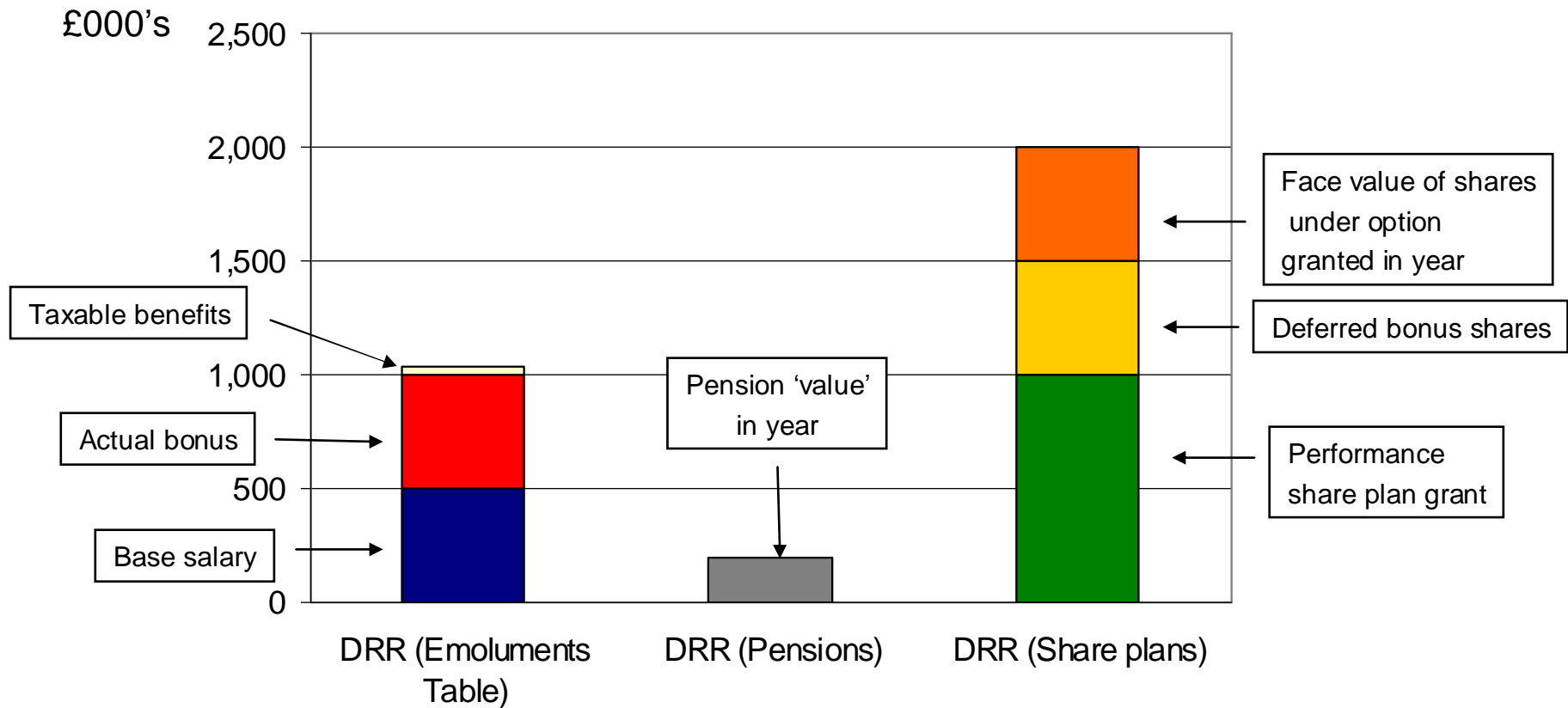
Executive Total Remuneration

Vicky Wright
3rd October 2007

Five basic questions in executive remuneration

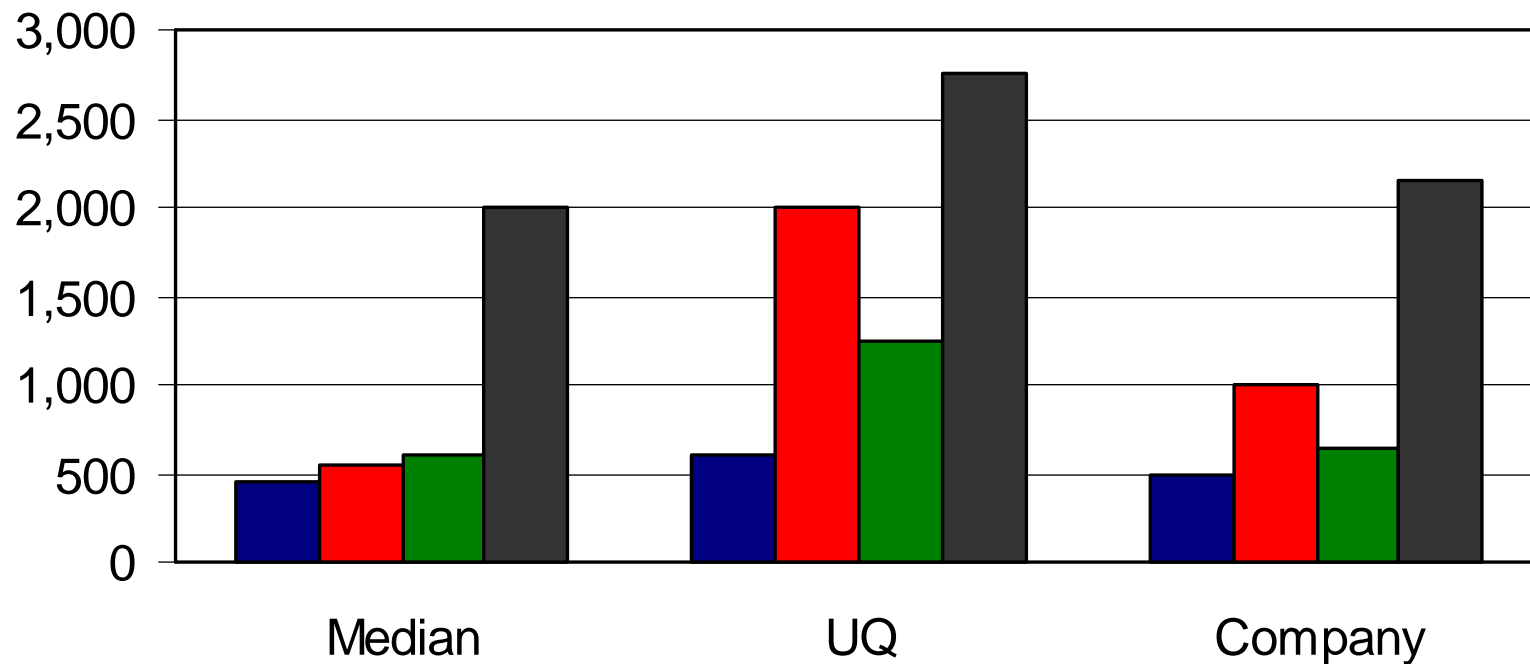


Directors' Remuneration Reports do not tell you how much

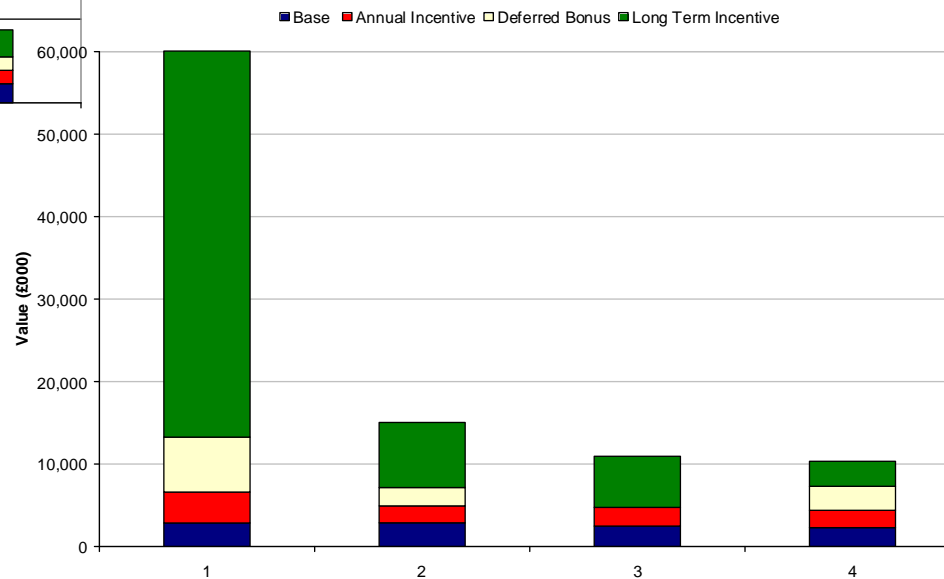
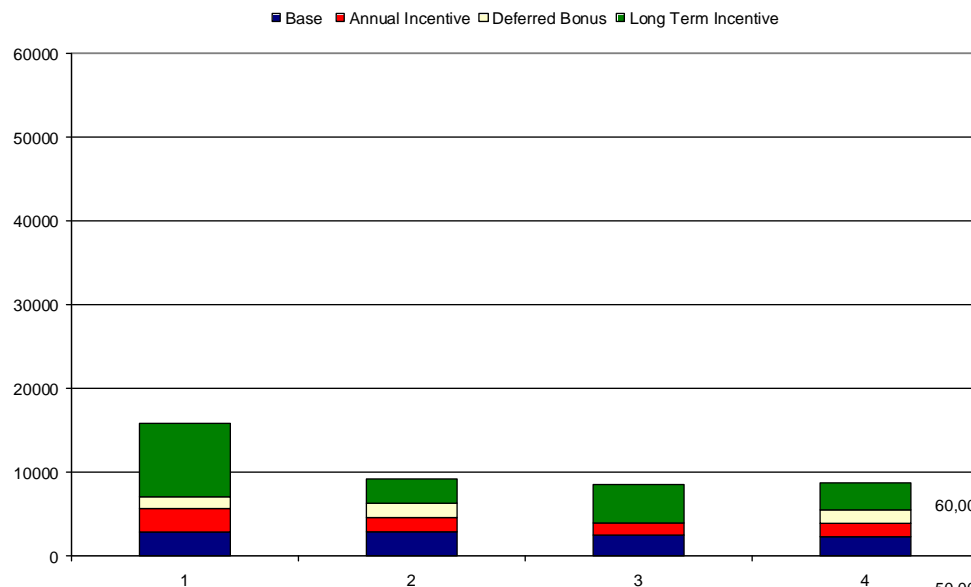


.....nor do many consultant surveys

■ Base Salary ■ Bonus ■ LTI value ■ Total Direct



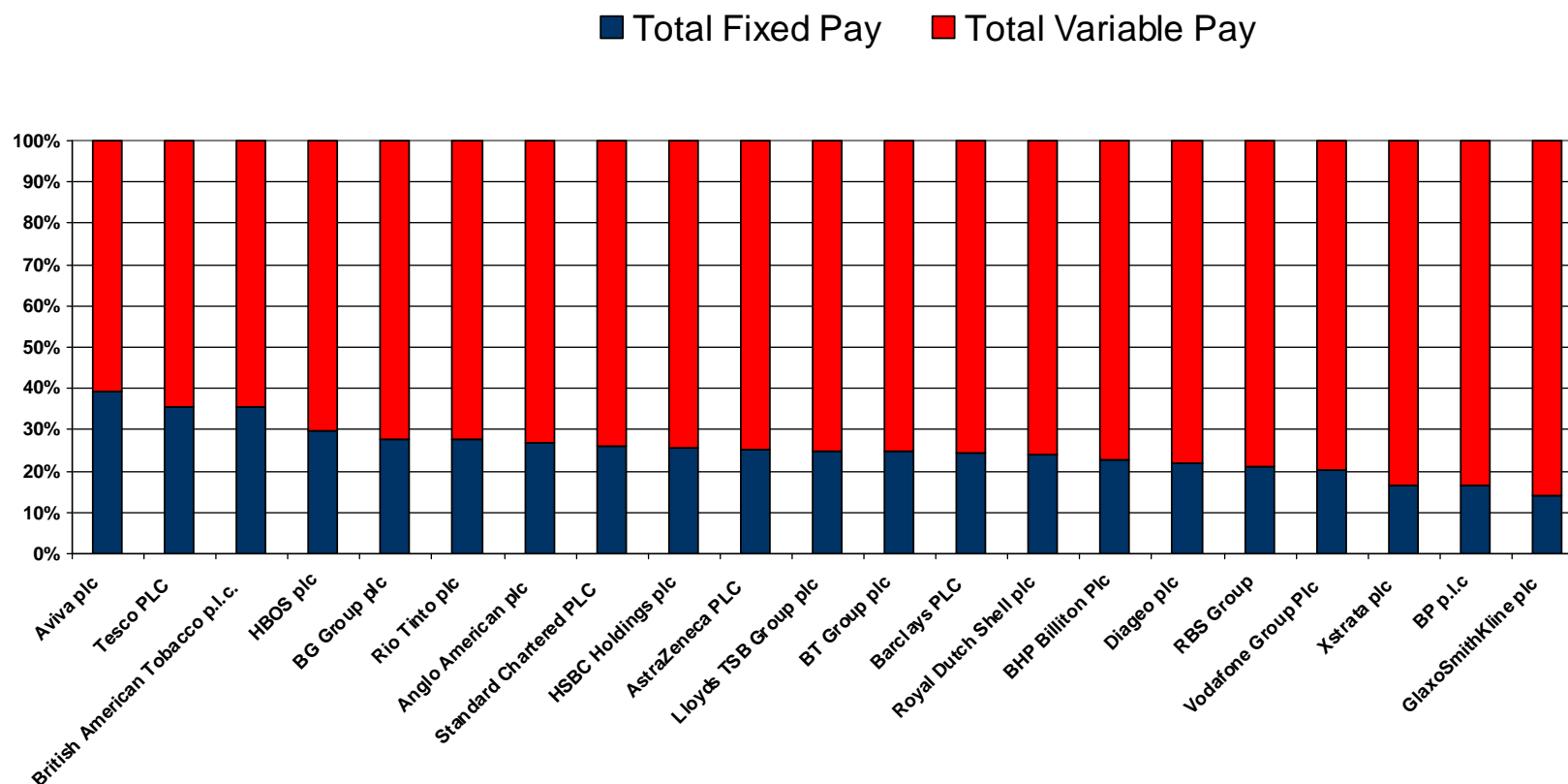
What goes into the executive's pocket?



What drives the difference in realised remuneration?

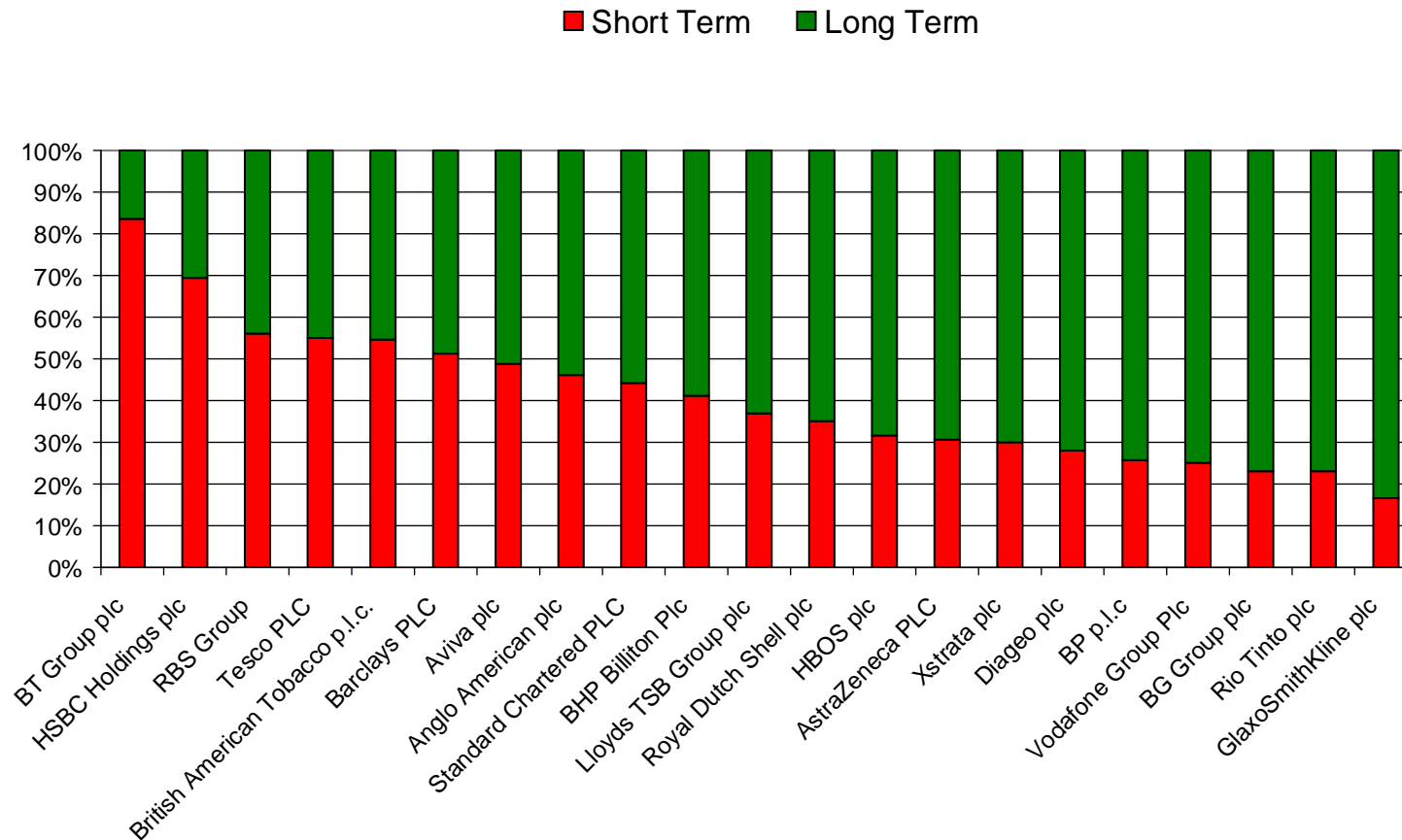
- The types of plans
- Plan mix in the total value
- The performance criteria for plans
- The performance calibration in plans
- The performance gearing of plans

There is a significant difference in pay mix

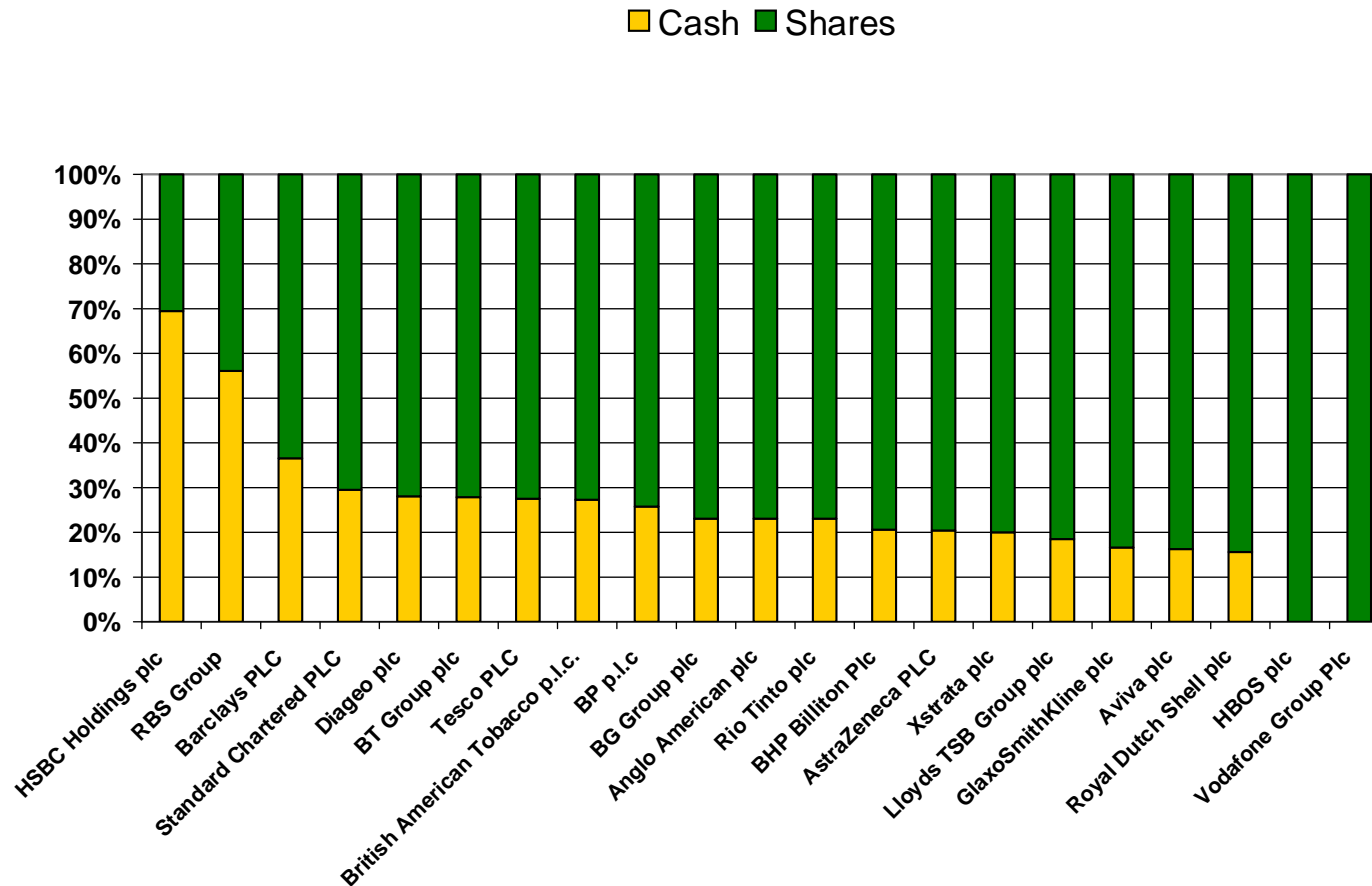


Note: excludes pensions and benefits

.. And also in the mix of short and long term measures

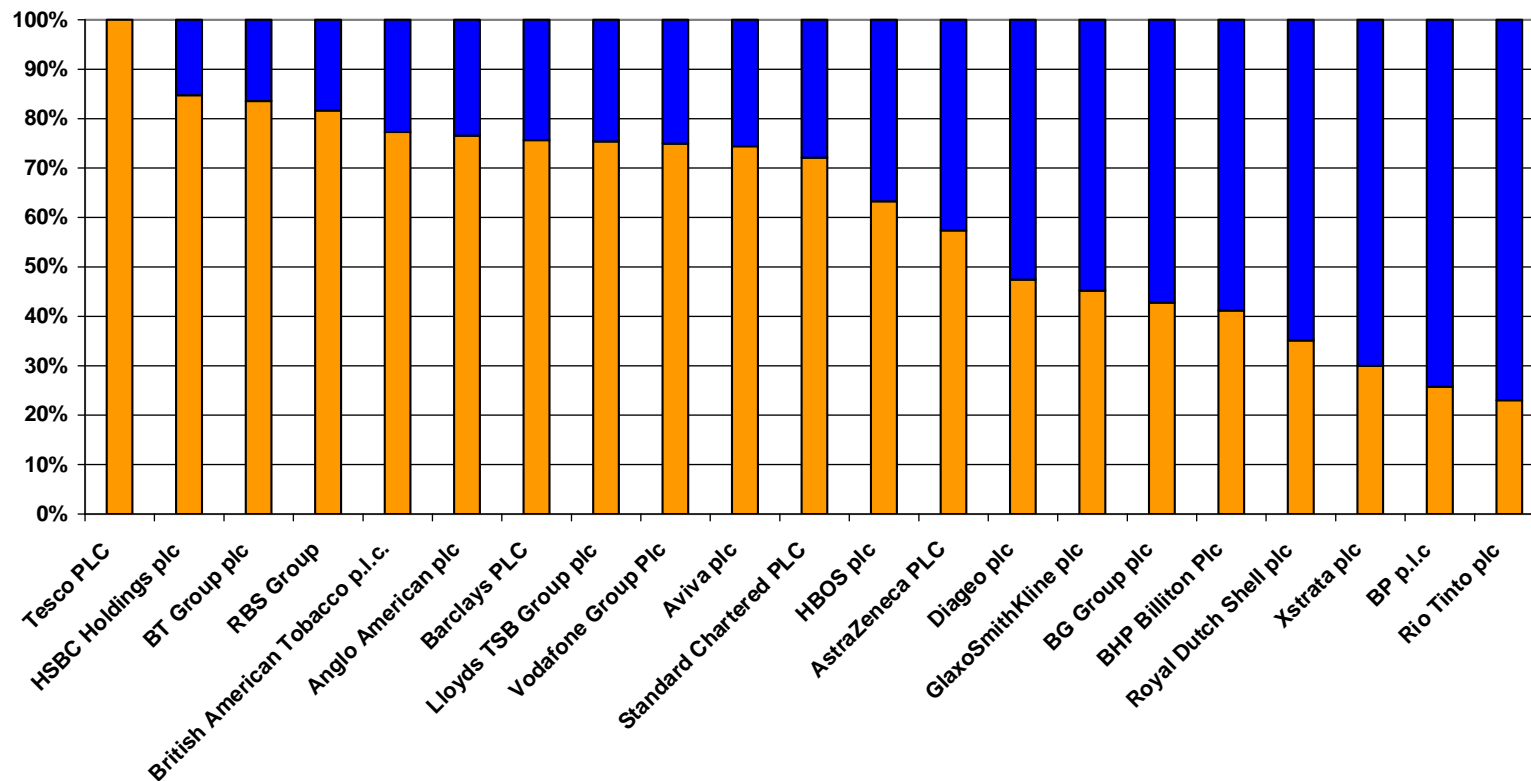


.. and the use of cash and shares



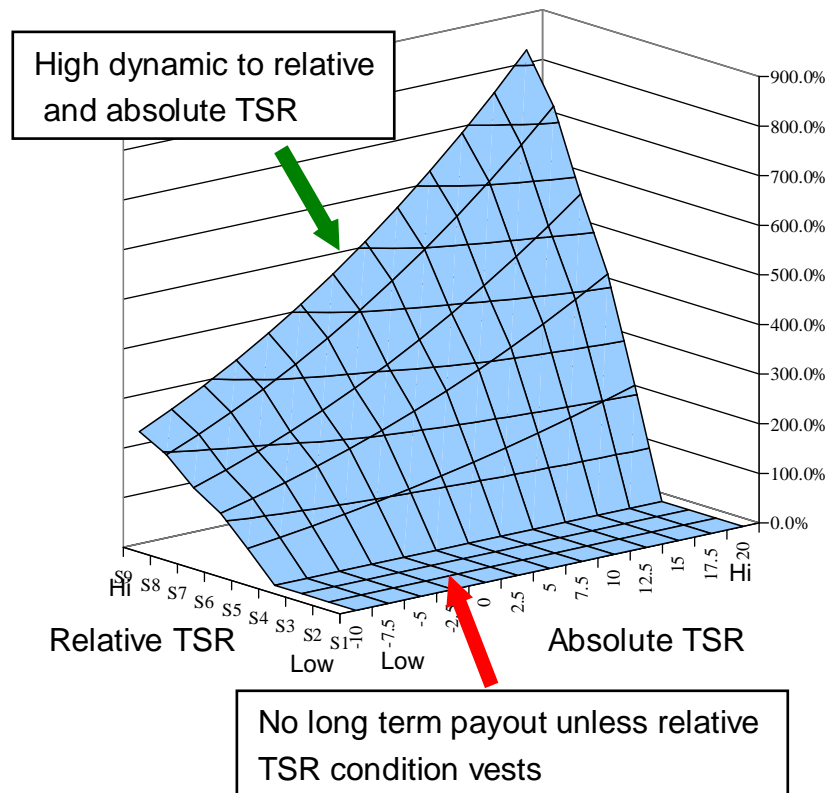
... and in the measures used

Financial or absolute TSR

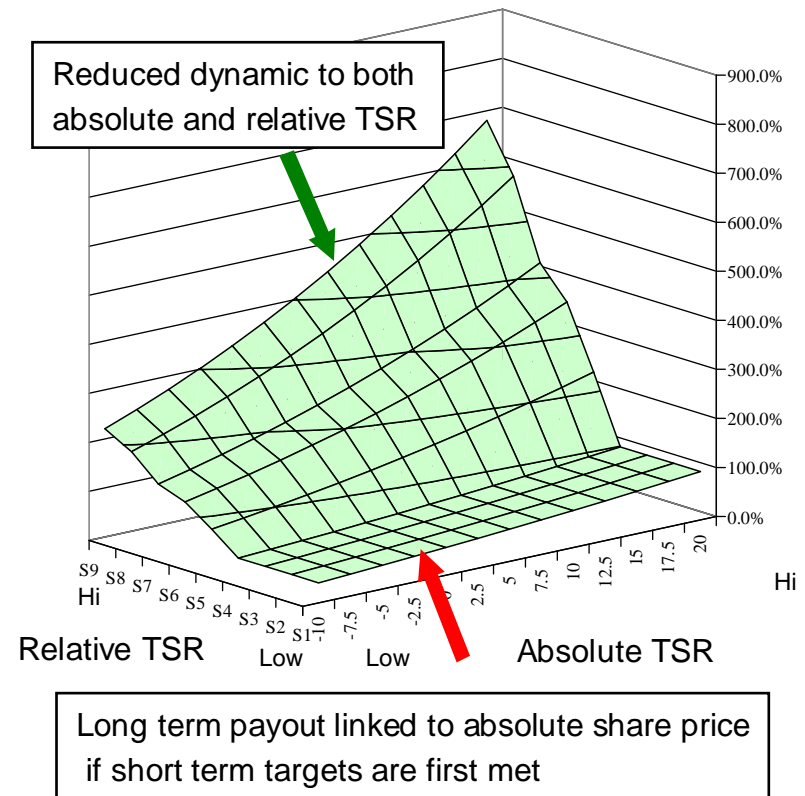


All these factors change performance gearing

Performance share plan and option plan with relative TSR metrics

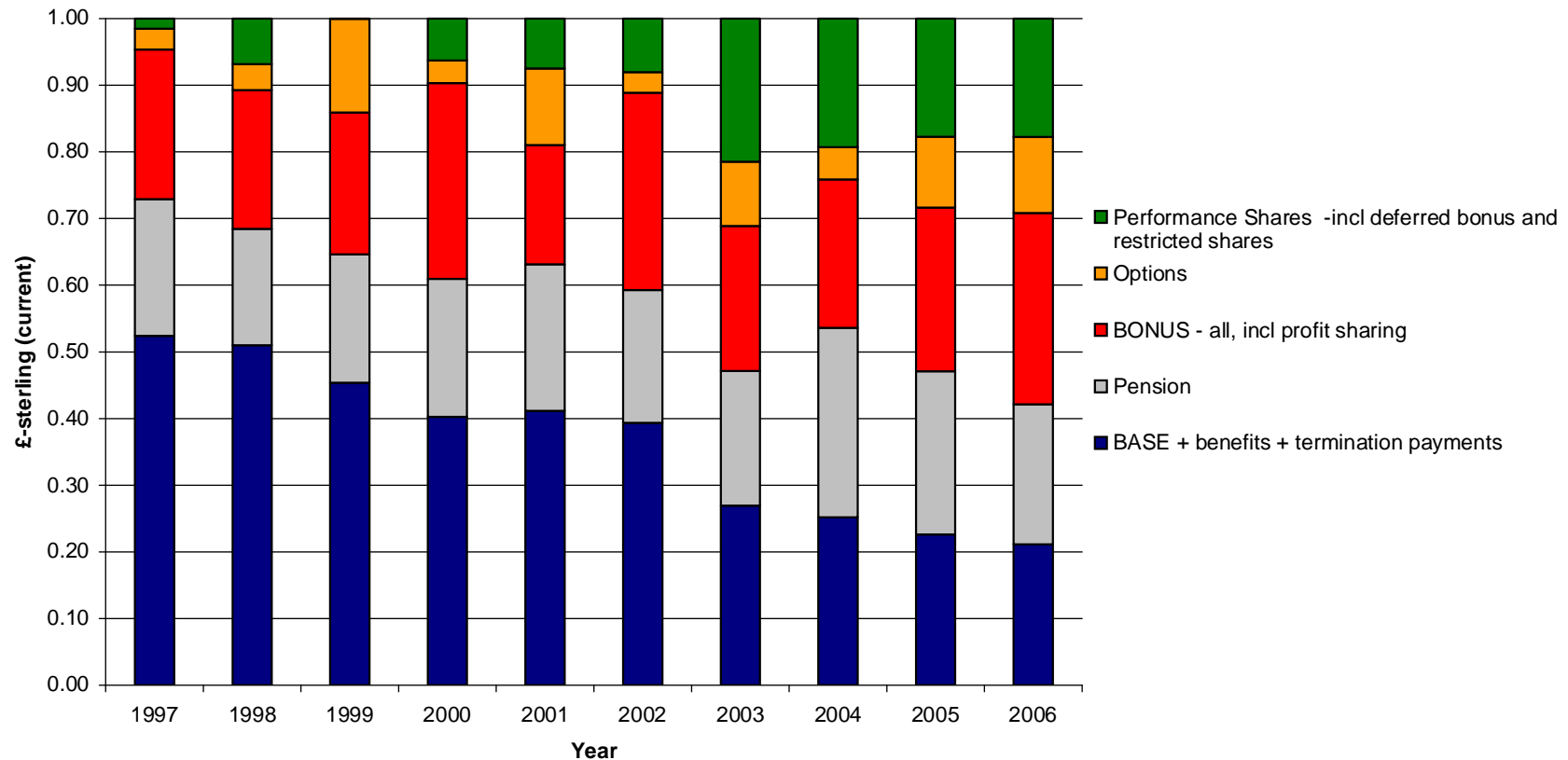


Short term incentive plan deferred into shares plus Performance share plan with relative TSR metric



Total realised remuneration for CEO of top 10 banks

Realised Remuneration - Relative Share by category of remuneration 1997 to 2006



Conclusions

- The incentive opportunity in executive remuneration has increased very significantly in recent years
- There is a high gearing to performance which is not always transparent in surveys or annual report disclosures
- For many executives the actual earnings from long term incentives is volatile and can be both significantly more or less than shown in surveys
- The value of pension remains an important element in the executive package