

---

# Corporate

## GOVERNANCE

---

The Board of Directors has a strong commitment to high standards of corporate governance and has applied the main and supporting principles of corporate governance as recommended in Section 1 of the Combined Code on Corporate Governance, (the “2006 FRC Code”), for the year ended 31 December 2008.

### **Compliance with the 2006 FRC Code**

The Directors consider that the Company has complied with all the Code provisions set out in Section 1 of the 2006 FRC Code throughout the year ended 31 December 2008.

### **The Board and its operation**

The Board of Michael Page International plc is the body responsible for corporate governance, establishing policies and objectives, and the management of the Group’s resources. It is the Group’s policy that the roles of Chairman and Chief Executive are separate.

The main Board currently comprises the Chairman, who is deemed to be independent and has no operational responsibilities, three Executive Directors and four independent Non-Executive Directors.

All Directors are subject to retirement by rotation and re-election by the shareholders in accordance with the Articles of Association, whereby one third of the Directors retire by rotation each year. All Directors are subject to election by the shareholders at the first Annual General Meeting following their appointment. All Directors are subject to re-election every three years in accordance with the 2006 FRC Code.

Stephen Puckett and Hubert Reid will retire by rotation and offer themselves for re-election. As a result of their annual performance evaluation, the Board considers that their individual performances continue to be effective, with each director demonstrating commitment to their role. The Board is therefore pleased to support their re-election at the forthcoming Annual General Meeting.

Stephen Box will retire from the Board in 2009. The Group would like to extend their thanks to Stephen for his contribution.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. There is an agreed procedure for Directors to obtain independent professional advice, if necessary, at the Company’s expense.

The Board meets regularly throughout the year. It has a formal schedule of matters reserved to it and delegates specific responsibilities to Committees. During the meetings, the Board formally considers how and to whom matters covered at each meeting should be communicated and actioned beyond the Board. Decisions concerning matters of a more routine nature are dealt with by management below Board level. The structure of the Group facilitates the day to day running of the business and enables efficient and effective communication of issues to the Board when required.

The Chairman and Non-Executive Directors also met during the year without the Executive Directors being present.

Each of the Committees has formal written terms of reference which were reviewed in 2008.

The terms of reference for the Audit, Remuneration and Nomination Committees are available on request and can be found on the Group’s website. Their composition and the manner in which they discharge their responsibilities are described below.

The Executive Board, a Committee of the Main Board, meets formally at least four times a year, and is responsible for assisting the Chief Executive in the performance of his duties, including development and implementation of strategy, operational plans, policies, procedures and budgets.

These activities are performed at a regional level by four Regional Boards, Committees of the Main Board, for the UK, EMEA, Asia Pacific and the Americas. Each Regional Board

meets at least four times a year.

The Company amended its articles of association in May 2008 to deal with, amongst other things, the provisions on conflicts of interest in the Companies Act 2006 which came into force in October 2008. Following this, the Company has put in place procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the Directors may have and for the authorisation of such conflict matters by the Board. In deciding whether to authorise a conflict or potential conflict, the Directors must have regard to their general duties under the Companies Act 2006. The authorisation of any conflict matter, and the terms of authorisation, may be reviewed at any time and will be reviewed formally by the Board on an annual basis.

#### **Audit Committee**

The Audit Committee comprises the independent Non-Executive Directors and, since May 2008, is chaired by Ruby McGregor-Smith. Their relevant qualifications and experience are shown in their biographies on the Board of Directors page 26 and 27.

The Committee met seven times in 2008 to fulfil its duties and included attendance by the external auditors where required. The number of meetings increased from four last year to review interim management statements before submission to the Main Board. The Committee also met with the external auditors during the year without the presence of management.

In 2008 the Audit Committee discharged its responsibilities as set out in the terms of reference which can be found on our website. Its principal tasks are to review the Group's internal controls and internal audit reports, review the scope of the external audit, consider issues raised by the external auditors, and review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and compliance, and areas of management judgement and estimates.

#### **Objectivity and independence of external auditors**

Deloitte are employed to perform work in addition to their statutory duties where it is felt that they are best placed to carry out the engagement as a result of their being the Group's auditors. All other work is awarded on the basis of competitive tender.

The objectivity and independence of the external auditor is safeguarded by:

- a. obtaining assurances from the external auditor that adequate policies and procedures exist within its firm to ensure the firm and its staff are independent of the Group by reason of family, finance, employment, investment and business relationships (other than in the normal course of business);
- b. enforcing a policy concerning the provision of non-audit services by the auditor which governs the types of work:
  - i. from which the external auditor is excluded;
  - ii. for which the external auditor can be engaged without referral to the Audit Committee; and
  - iii. for which a case-by-case decision is required, which includes all engagements over certain fee limits.

The following areas are considered to be unacceptable for the external auditors to undertake:

- selection, design or implementation of key financial systems;
- maintaining or preparing the accounting books and records or the preparation of financial accounts or other key financial data;
- provision of outsource financial systems;
- provision of outsource operational management functions;
- recruitment of senior finance or other executives;
- secondment of senior finance or other executives;

- provision of internal audit services;
- valuation services or fairness opinions; and
- any services specifically prohibited to be provided by a listed company's external auditors under UK regulations.

The following criteria also need to be met before the external auditors are contracted to provide such services:

- the firm has the necessary skills and experience to undertake the work;
  - there are no potential conflicts that may arise as a result of carrying out this activity;
  - the external audit firm is subject to the company's normal tendering processes; and
  - in addition to the normal authorisation procedures and prior to inclusion in a tender, approval has to be given by the Group Finance Director and, if the fee exceeds a certain level, the Audit Committee.
- c. enforcing a policy of reviewing all cases where it is proposed that a former employee of the external auditors be employed by the Group; and
- d. monitoring the external auditors' compliance with applicable UK ethical guidance on the rotation of audit partners.

### **Remuneration Committee**

The Remuneration Committee comprises the independent Non-Executive Directors and is chaired by Dr Tim Miller.

The Committee reviews the Group's policy on the Chairman's, Executive Directors' and senior executives' remuneration and terms of employment, makes recommendations upon this along with the specific level of remuneration to the Board, and also approves the provision of policies for the incentivisation of senior employees including share schemes. The Committee meets at least twice a year and is also attended by the Chief Executive, except when his own remuneration is under consideration. The Remuneration Report includes information on the Directors' service contracts. The terms of reference of the Remuneration Committee can be found on our website.

### **Nomination Committee**

The Nomination Committee comprises the Non-Executive Directors and is chaired by Sir Adrian Montague. It is responsible for making recommendations to the Board on new appointments, as well as making recommendations as to the composition of the Board generally, and the balance between Executive and Non-Executive Directors appointed

to the Board. The terms of reference of the Nomination Committee can be found on our website.

### **Succession planning**

One of the basic premises behind the strategic development of the Michael Page business is that growth is organic rather than through acquisitions of companies or hiring senior people in non-support roles. In order to achieve this organic growth we require good people. It is therefore one of the fundamental principles and a major part of the philosophy of the Company that we train and develop our own people. This approach creates opportunities for career progression and helps us attract and retain high calibre individuals.

Due to this philosophy of nurturing our own talent, succession planning is inherently a key part of the process. We do not make promotions or move people within the business unless there is a clear successor for the vacant position. It is therefore one of the key responsibilities of all levels of management, and not just the Board, to have a clear plan of development for their direct reports.

### **Board appointments**

The Board follows formal and transparent procedures when appointing directors. The Nomination Committee identifies a shortlist of suitable candidates for Non-Executive appointments. All the candidates are interviewed by the Chairman and the Chief Executive, and in the case of the most recent appointment, all candidates in the final shortlist were interviewed by the Nomination Committee. Evaluations of all candidates are discussed with all members of the Nomination Committee and the recommendation is subsequently made to the Board.

### **Induction and training programme**

On appointment to the Board, each Director discusses with the Company Secretary the extent of training required and a tailored induction programme to cover their individual requirements is then compiled. Elements of the programme typically consist of meeting senior management, site visits and attending internal conferences. In addition, information is provided on the Company's services, Group structure, Board arrangements, financial information, major competitors and major risks. After an initial induction phase, updates are provided on a periodic basis.

### **Performance evaluation**

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.

Stephen Box, 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.

### Attendance at meetings

The number of meetings of the Board and Committees and individual attendance by the members of the Committees only are shown in Fig.3.

### Internal control

The responsibilities of the Directors in respect of internal control are defined by the Financial Services Authority's Listing Rules which incorporate a Code of Practice known as the Combined Code, which requires that Directors review the effectiveness of the Group's system of internal controls. This requirement stipulates that the review shall cover all controls including operational, compliance and risk management, as well as financial. Internal Control Guidance for Directors on

the Combined Code ("the Turnbull Report") was published in September 1999, updated October 2005.

The Board has assessed existing risk management and internal control processes during the year ended 31 December 2008 in accordance with the Turnbull guidance. The Board believes it has the procedures in place such that the Group has fully complied for the financial year ended 31 December 2008 and at the date of this report.

The Directors are responsible for the Group's system of internal financial and operational controls which are designed to meet the Group's particular needs and aim to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable.

Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement and loss. Key elements of the system of internal control are as follows:

- **Group organisation.**

The Board of Directors meets at least ten times a year, focusing mainly on strategic issues, operational and financial performance. There is also a defined policy on matters strictly reserved for the Board. The Managing Director of each operating division is accountable for establishing and monitoring internal controls within that division;

**Fig.3. Attendance at Board Meetings (Committee attendance shown for Committee members only)**

| Main Board               |            |                 |                        |                      |
|--------------------------|------------|-----------------|------------------------|----------------------|
| <b>Total meetings</b>    | <b>11</b>  |                 |                        |                      |
| <b>Meetings attended</b> |            |                 |                        |                      |
| <b>Executive</b>         |            |                 |                        |                      |
| Steve Ingham             | 11         |                 |                        |                      |
| Charles-Henri Dumon      | 11         |                 |                        |                      |
| Stephen Puckett          | 11         |                 |                        |                      |
|                          | Main Board | Audit Committee | Remuneration Committee | Nomination Committee |
| <b>Total meetings</b>    | <b>11</b>  | <b>7</b>        | <b>3</b>               | <b>1</b>             |
| <b>Meetings attended</b> |            |                 |                        |                      |
| <b>Non-Executive</b>     |            |                 |                        |                      |
| Sir Adrian Montague CBE  | 11         |                 |                        | 1                    |
| Stephen Box              | 11         | 7               | 3                      | 1                    |
| Ruby McGregor-Smith      | 11         | 7               | 3                      | 1                    |
| Dr Tim Miller            | 9          | 7               | 3                      | 1                    |
| Hubert Reid              | 10         | 6               | 3                      | 1                    |

- **annual business plan.**

The Group has a comprehensive budgeting system with an annual budget approved by the Board;

- **quarterly reforecasting.**

The Group prepares a full-year reforecast on a quarterly basis showing, by individual businesses/disciplines, the results to date and a reforecast against budget for the remaining period up to the end of the year;

- **financial reporting.**

Detailed monthly reports are produced showing comparisons of results against budget, forecast and the prior year, with performance monitoring and explanations provided for significant variances. The Group reports to shareholders on a quarterly basis;

- **Audit Committee.**

There is an established Audit Committee whose activities are previously described;

- **financial and operational controls.**

Individual operations complete an annual controls self assessment and certification statement. Each operational manager, in addition to the finance function for that operation, confirms the adequacy of their systems of internal control and compliance with Group policies. The statement also requires the reporting of any significant control issues, including suspected or reported fraud, that have emerged so that areas of Group concern can be identified and investigated as required;

- **risk management.**

Identification of major business risks is carried out at Group level in conjunction with operational management and appropriate steps taken to monitor and mitigate risk;

- **public interest disclosure policy (whistleblowing).**

The audit committee has reviewed arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action; and

- **internal audit activities.**

As the number of territories in which the Group operates has increased, the internal audit function has been strengthened. An independent, dedicated Internal Audit team has been established, comprising the Head of Internal Audit and Internal Auditor. Businesses are visited on a risk based and rotational basis to assess

the effectiveness of controls in mitigating specific risks.

In addition, risks are regularly reviewed and changes are made to the risk profile where necessary. All internal audit activities are reported to the Audit Committee. During the year, the Board monitored and reviewed the effectiveness of the internal audit activities.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and that the processes have been in place for the year under review and up to the date of approval of the annual report and accounts.

### **Board contact with shareholders**

Communications with shareholders are given a high priority. The main contact between the Board and shareholders is through the Chief Executive and the Group Finance Director. They undertake two major investor "roadshows" each year in February/March and August/September, in which numerous one-to-one meetings with shareholders take place. The outcome of these meetings and the views of shareholders are relayed back to the Board by the corporate brokers, at the end of each roadshow. The Group's corporate brokers also report monthly to the Board on broking activity during the month and any issues that may have been raised with them.

Shareholders are invited to attend the Annual General Meeting where they are able to discuss any concerns with the Non-Executive Directors.

When requested by shareholders, individual matters can be discussed with the Chairman or Senior Independent Director. The Group also has a website with an investor section ([www.michaelpageinternational.com](http://www.michaelpageinternational.com)) that contains Company announcements and other shareholder information.

### **Annual Report**

The Annual Report is designed to present a balanced and understandable view of the Group's activities and prospects. The Chairman's Statement, Operational Review and Financial Review provide an assessment of the Group's affairs and position. The Annual Report and Interim Report are sent to all shareholders on the Register.

The Directors acknowledge their responsibility for the preparation of the Annual Report. The Statement of Directors' Responsibilities is shown on page 95. A statement by the auditors about their reporting responsibilities is shown in the Independent Auditors' Report on pages 48 and 49.

## Going concern

The Board have undertaken a recent and thorough review of the Group's budget, forecasts and associated risks and sensitivities. The review performed was extensive and rigorous to reflect the uncertain economic outlook for the global economy taken as a whole. Despite the significant uncertainty in the economy and its inherent risk and impact on the business, the Board has concluded, given the level of cash in the business, the geographical and discipline diversification, limited concentration risk, as well as the ability to manage the cost base, that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve-months from the date of approval of these accounts. For this reason, the going concern basis continues to be appropriate in preparing the financial statements.

The Group's business activities, together with factors likely to affect its future development, performance and financial position and commentary on the Group's financial results, its cash flows, liquidity requirements, principal risks and uncertainties and undrawn borrowing facilities are set out in the Operational and Financial Review on pages 12 to 25 within the financial statements. In addition, note 22 to the financial statements includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to liquidity risk and credit risk.

In the year to 31 December 2008, the Group generated a profit of £97.3m, with cash generated from operating activities of £131.8m. As at 31 December 2008, the Group balance sheet was in a net asset position of £210.7m with net cash of £94.3m.