Barclay Simpson
corporate governance recruitment

Corporate Governance Recruitment
Compensation and Market Trends Report 2013
Legal



BARCLAY SIMPSON COMPENSATION AND MARKET TRENDS REPORT

2013

LEGAL

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WELCOME TO BARCLAY SIMPSON'S 2013 LEGAL COMPENSATION AND MARKET TRENDS REPORT

Barclay Simpson has been producing corporate governance market reports since 1990. This year we are breaking with tradition and using our Mid Year 2013 report to focus primarily on compensation. Barclay Simpson entered the legal recruitment market in 2008 recruiting lawyers into the financial services industry. In 2010 we expanded our offering to include lawyers working in commerce. This report seeks to provide insight into compensation for lawyers working in-house. This is supported by a comprehensive survey carried out in June 2013 of legal professionals registered with Barclay Simpson. Comparable reports exist for all other areas of corporate governance. They can be accessed in section 07 of this report or at www.barclaysimpson.com

We place great value on the professional reaction to our reports and would appreciate your comments and any requests for further clarification or information.

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01

EXECUTIVE SUMMARY

DISCERNIBLE RECOVERY TAKING HOLD

Whilst it may be too early to celebrate, the in-house legal recruitment market is now in better shape than at any time since July 2011 when the Eurozone crisis first emerged. This is supported by the number of vacancies, the propensity of companies to recruit and the positive results from our survey of lawyers.

Economy showing signs of upturn

2013 began with many commentators predicting a triple dip recession and another washout for the UK economy. However, such forecasts were at odds with developments in the legal recruitment market. For us, a nascent recovery had begun during the final quarter of 2012. This recovery was strengthening in the first quarter of 2013 and, at mid year, it is still continuing. Whilst the external risks to the UK economy remain high and a further financial crisis cannot be ruled out, forecasts for economic growth in 2013 are rising. Improved sentiment together with ongoing regulatory initiatives should continue to support the recruitment market.

Positive news on employment

Confidence is returning with business volumes rising and costs, including salaries, contained. This is combining with positive news on employment. **In spite of expectations continuing to rise and employers only recruiting those lawyers who closely match their requirements, less than 4% of respondents to our survey of lawyers working in-house were not employed. Of these only 17% had been out of work for longer than 3 months.** In fact, a record 30 million people are employed in the UK economy.

Costs still under tight control

However, the last five years have not come without a cost to those in work. Real average earnings have fallen by an estimated 6% and lawyers have not been spared. 28% of lawyers surveyed who had stayed with their employer had a pay cut or no salary increase. A further 15% had salary increases of less than 2.5%, the minimum necessary to keep real earnings from falling. Clearly companies are keeping their costs under tight control, even for those with marketable skills. In spite of this, 56% of lawyers claim to be satisfied with their overall remuneration. Perhaps they appreciate that a recovery has only just begun and that in the wider economy there are still 2.5 million people unemployed whilst austerity continues.

Companies acting more decisively

Whilst there has clearly been latent demand for in-house lawyers over the course of the last two years, this often failed to manifest itself in external recruitment. **In 2013 however, companies have been coming to the recruitment market more decisively and following through with realistic offers. Improved profitability and confidence, regulatory initiatives and start-ups are all assisting the recovery in the legal recruitment market to take hold.**

> "Whilst the external risks to the UK economy remain high and a further financial crisis cannot be ruled out, forecasts for economic growth in 2013 are rising

02 THE ECONOMIC & CORPORATE GOVERNANCE ENVIRONMENT

ECONOMY APPEARS ON THE MEND

The Treasury's objective, to move an economy dependent on consumption to one led by exports and business investment, has been put on hold. A happy coincidence of converging factors, supported by government policies around income tax and the housing market, is leading to a revival in consumer spending. As a result, the OECD is predicting that the UK economy is finally moving towards its trend rate of economic growth.

Whilst the UK, at least in European terms, remains a significant beneficiary of inward foreign investment, what is missing is any significant upswing in domestic corporate investment. Perhaps the lack of investment helps explain why so far, unlike previous upturns, this is a recovery that lacks productivity growth. Productivity has fallen back to 2009 levels with the threat that the UK is turning into a low productivity economy, where low wages are fully justified.

Regulation stifling productivity

We have previously described how productivity has been undermined by bank forbearance that has kept companies alive that do not have sustainable business models. However, whilst sensible regulation certainly has a role to play, excessive regulation has also stifled productivity. **There is a proliferation of regulation in many sectors of the economy. This regulation can be expensive to comply with and frequently undermines productivity leading to what has been described as regulatory austerity.**

The financial services industry remains highly significant to the UK economy. Whatever folly has taken place within banking, financial services is an industry in which the UK excels. Unfortunately, it is also one of the industries that is weighed down by an avalanche of regulation.

Excessive cost of regulation

In many areas of regulation the costs are disproportionate to the potential benefit. Governance has become one of the preoccupations of management. It is estimated that the cost so far to the UK insurance industry of Solvency II, a project that has become chronically delayed and is unlikely to be implemented before 2016, is at least £3billion. Andrew Bailey, the Chief Executive Officer of the PRA has described it as indefensible. Regulators appear to use rules such as risk weighting that are needlessly complicated and often distorting.

Sensible levels of regulation required

The sheer weight of regulation, not only from within the UK but also Europe and extra territorially from the US, is undermining the banks' ability to take risks. Money that should be spent on lending (which is what banks are designed to do) is ploughed into a regulatory black hole. Barring another financial crisis, the political momentum to over regulate the financial services industry will pass. Certainly our preference would be to deal with a profitable and growing financial services industry, where sensible and proportionate levels of regulation and governance are employed.

> “Barring another financial crisis, the political momentum to over regulate the financial services industry will pass

The threat from cyber security

Today a potentially more pressing area of corporate governance is emerging. Both the public and private sectors are becoming increasingly alert to the threat from breaches in their cyber security. Cyber attacks are happening on an industrial scale. According to the National Audit Office, web-based crime cost the UK as much as £27 billion this year, a three fold increase from the year before. It is estimated that 90% of British companies have suffered an attack in the last year. These risks are becoming broader with technological developments such as cloud computing and the increased use of tablets and smart phones. Information security vulnerability is now ranked as one of the top concerns of business.

Unlike some recent financial regulations, given the threat posed, cyber security is an expense that companies should have no quibble about paying.

03 MARKET ANALYSIS

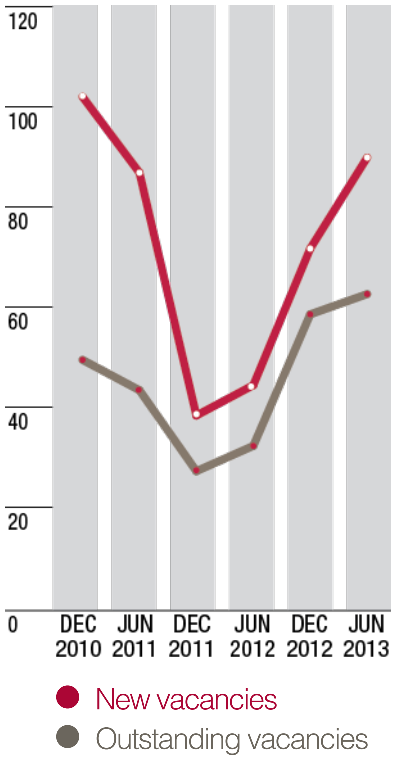
VACANCIES

Increased number of vacancies filled

Given that Barclay Simpson only began to recruit lawyers for commerce in 2010, we have restricted this analysis and our commentary to our activities in the financial sector. We cover in-house commerce in section 05.

The number of legal vacancies rose during the last six months, continuing the trend established during 2012. **The number of outstanding vacancies also rose but by a proportionally lower amount, indicating that companies are actively filling their vacancies.** Unlike last year, lawyers are being replaced as they leave. Where companies would have previously looked to replace staff internally, as they have grown leaner and readjusted their business models to market conditions, the opportunity to redeploy otherwise redundant lawyers has declined. It is also easier to commit to recruiting lawyers externally when there are not redundancies in other areas.

Given tight cost controls, when vacancies are filled externally, it is common for the vacancy to be filled with a less experienced lawyer. Equally, wherever possible, companies are filling more senior roles internally and then backfilling the newly created more junior position. This is not simply about cost, but creating career development opportunities for existing staff. **We expect the level of vacancies to increase further in the second half of 2013.**



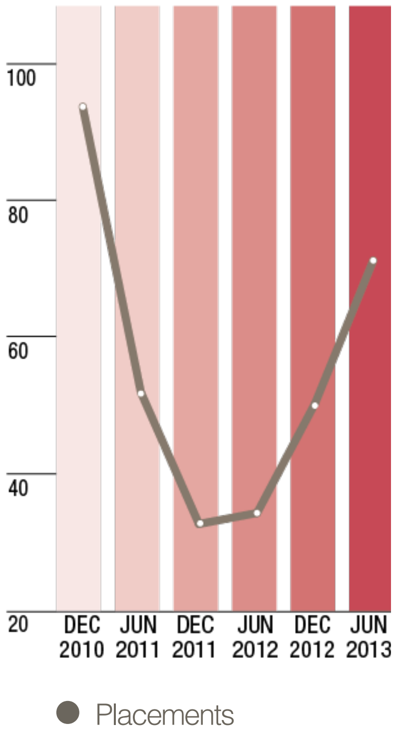
RATE OF PLACEMENTS

Companies determined to recruit

To provide a better insight into the dynamics of the recruitment market, this graph plots the rate at which placements have been made across the last three years. In order to create a scale, we took the results from the first six months of 2010 as our 100% benchmark. The graph demonstrates the willingness of companies to recruit during the period rather than simply registering vacancies and arranging interviews. It reflects the rate at which candidates are being offered and accepting jobs.

The increase in the rate of placements that began last year has continued into 2013 and is now up to 63% against 49% in the last six months of 2012. It is continuing to strengthen as companies become more determined to recruit. Concerns over reputational risk and the imposition of fines have increased. The regulatory avalanche, or more importantly the state of flux in which many legal departments find themselves, continues. Lawyers increasingly need multifaceted skills. There are fewer examples of companies simply going through the motions and having completed a benchmarking exercise, recruiting internally.

However, there has been little relaxation in the standards companies require. **Recruitment processes are frequently not helped by unrealistic expectations from both employers and candidates.** Lawyers with marketable skills are in demand. Counter-offers have become common.



04 MARKET COMMENTARY

> Redundancies are now at their lowest level for over two years, and there are few formal recruitment freezes in the financial services industry

COMPANIES FOCUSSED ON REASONS TO RECRUIT

The improvement that became evident in the legal recruitment market in the second half of 2012 continues. Companies who would focus on reasons not to recruit have become more focussed on reasons why they should. **Redundancies are now at their lowest level for over two years and there are few formal recruitment freezes in the financial services industry.**

Notwithstanding the additional 20,000 employed by the banks to deal with PPI mis-selling compensation, the total number of people employed in financial services is growing. As such, there are few lawyers with financial services experience who are currently not working.

Regulation still driving demand

Regulation is a significant driver in the legal recruitment market. RDR, MIFID, AiFMD, CCA and PSD continue to create vacancies together with newer regulation such as EMIR. The formal split of the FSA into the PRA and FCA has required additional legal resources as many companies require dual registration.

Nobody should doubt the significant costs involved and the potential for excessive regulation to undermine the contribution the financial services industry makes to the UK economy. **Common sense will ultimately prevail and a more stable and predictable regulatory environment will emerge.**

In demand skills

Financial services regulatory lawyers remain in demand and there is a renewed interest in litigators, especially those candidates who posses a contentious regulatory background. Demand is also high for lawyers with experience of derivatives (where there is a notable lack of good quality candidates), asset management/funds (especially UCITS, but also wider asset management experience) and leveraged, structured (securitisation in particular) and trade finance. **Specific product knowledge is often requested and we are also beginning to see an increased demand for lawyers with a general capital markets skill set.**

Less buoyant areas

Whilst demand is recovering there are some areas of the in-house financial services market that remain flat. Even lawyers with very strong CVs are struggling in disciplines such as general banking, corporate M&A and employment. In-house teams are generally fully staffed in these areas and where they are not, have adapted to running with less than full compliments. The recovery will need to develop further before recruitment is broadly sanctioned in these areas.

Costs of keeping options open

Junior lawyers are historically wary about specialising too early. Yet, whilst there are clearly benefits to keeping options open, it comes with a cost as there are currently far more opportunities for specialists. Now, with many financial services organisations looking to make better use of their existing resources, there will be more opportunities to broaden skill sets in-house and this should therefore be of less concern going forward.

Moving in-house

Lawyers from private practice have become more confident about moving in-house providing in-house employers with greater choice. However, hiring managers remain highly selective. In spite of having more choice, or even perhaps because of it, many recruitment processes continue to be needlessly drawn out.

Lawyers moving in-house should still anticipate taking a base salary cut. For lawyers coming from US firms this can be as much as 35%. Some potential employers are not able to reconcile this. They question the motives of some who may be seeking a better work-life balance. They are concerned that whilst lawyers may say they are happy with the drop in salary now, they will not be motivated long term and may leave with any change in the market. For lawyers coming from magic or silver circle firms the cut is less dramatic and some manage to negotiate similar base salaries.

The difference in base salary for those moving in-house from practice is frequently made up by better benefits and potentially higher bonuses.

05

SECTOR ANALYSIS

INVESTMENT BANKING

The recruitment freezes that were previously common in investment banking have been lifted. Most investment banks have active vacancies and are recruiting, albeit in low volumes. This recruitment is primarily driven by the need to replace lawyers. However, some are new positions that have come about as a result of re-organisations and others due to growth. Japanese banks appear to be expanding their legal teams with additional finance lawyers.

Trade finance has also been busy together with derivatives. Lawyers are also in demand who are able to focus on prime brokerage.

Litigation is a busy area with particular demand for lawyers with good regulatory experience who can also contend with pressure from the FCA. In addition, investment banks have been looking to recruit lawyers to deal with complaints and to lower levels of litigation, with some building sub-teams to purely deal with mis-selling.

We are seeing an ongoing and steady demand for financial services lawyers with more specific regulatory experience such as EMIR, MiFID and CASS, where previously a general regulatory lawyer would have sufficed. It seems existing in-house legal teams are struggling to stay on top of the volume and technical complexity of the new regulations and are therefore unable to train new recruits, preferring to hire experts from the external market. However, due to the scarcity of lawyers with relevant experience banks are having to take a more flexible approach to recruitment. Those successful in recruiting are prepared to consider lawyers with transactional backgrounds who are interested in transitioning into this area of specialism.

RETAIL BANKING

Legal resources within the retail banks are being squeezed by regulatory initiatives, divestment and restructuring programmes. New entrants, particularly TSB, are putting pressure on a finite pool of relevantly experienced lawyers. The FCA has also added further pressure by actively recruiting from the sector.

Banks are clearly attempting to avoid using secondees who can be time intensive to train and instead hiring permanent lawyers. Recruitment has focussed on both more senior hires (where new teams have been created) and more junior lawyers (who they can mould and develop) rather than in the more traditional 2-5 PQE range. **In terms of disciplines, there has been a notable increase in the demand for lawyers to support treasury functions which is popular now that the work has become more interesting.** We have also seen an increased demand for litigation lawyers in this area.

Whilst not borne out by the results of our survey, where satisfaction levels were not out of kilter with the rest of the market, lawyers working in retail banks are telling us they feel overworked and underpaid. Whatever the truth, in practice, lawyers working in retail banking are more easily tempted to move than lawyers working in other sectors.

> “Due to the scarcity of lawyers with relevant experience, banks are having to take a more flexible approach

ASSET MANAGEMENT

The asset management sector is currently providing the strongest demand for lawyers. Head count in many companies is rising. This demand is primarily at a junior level with retail funds and institutional investment management the busiest. Private equity funds are also active.

Lawyers with a combination of asset management and derivatives experience continue to be sought, particularly at the senior level. Asset managers, in the light of EMIR and changes in clearing, are under pressure to ensure their trading agreements conform. AiFMD and UCITS experience also remain in demand.

Lawyers working in investment banking are taking an interest in the asset management sector. Those looking to move to the buy side view the sector as an opportunity to diversify their experience in a potentially more stable environment. The sector is now offering competitive salaries and discretionary bonuses to match.

INSURANCE

The insurance sector has been stable and has not suffered from the divestment and restructuring programmes common in banking. Regulatory pressures have not been as high as in other areas, particularly as Solvency II is no longer a priority. Lawyers also appear to be retained for longer. However, budgetary pressures within the insurance sector still appear to be tight. This is resulting in less salary flexibility than in other areas.

Vacancies year to date have been driven by regulatory or company commercial considerations together with requirements for lawyers to support their investment management activities. Also a significant number of vacancies have been contract roles to work on specific projects, many of which have been international. There appears to be more senior roles with a number of smaller companies deciding to recruit their first in-house legal counsel.

COMMERCE

In-house commercial lawyers have not enjoyed quite the same uplift in demand that has benefited lawyers working in financial services. In 2013 stand out sectors have been energy, technology, media and telecoms (TMT) and professional services. Within commerce vacancies are currently more concentrated at the 2-4 years' PQE level with less demand for senior lawyers. However there has been the usual trickle of highly sought-after GC roles.

There has been a rise in vacancies within the energy sector. The drivers are further regulation in an already highly regulated sector, the frequently international and therefore multi-jurisdictional nature of the work and rapid growth in such areas as renewables. **Demand is primarily for generalist commercial lawyers and also corporate lawyers with experience in joint ventures, acquisitions and disposals.**

TMT has been buoyant with demand for commercial lawyers with an IP, IT, marketing or data protection specialism. Roles have been focused on junior to mid-level lawyers with between 2-5 years' PQE.

Business and professional services is an area of the economy that is currently benefiting from renewed confidence and growth. They are looking for lawyers at the mid to senior level. However, companies in this sector often have relatively flat legal functions, which raises progression issues for lawyers recruited into these teams. In particular, these companies are seeking commercial litigators and professional negligence lawyers to broaden their skill set and carry out the more general in-house legal function.

Potentially interesting for some lawyers is the fact that compliance for companies across a number of different sectors (in particular pharmaceuticals, telecoms and mining) is back on the growth agenda. In some instances they are establishing completely new in-house compliance teams. Unlike the financial services sector, compliance in commerce is a less developed career path and there are only a relatively limited number of compliance candidates with directly relevant experience. **Companies are therefore being more flexible and considering lawyers from a number of different backgrounds who are willing to make a change and move into compliance.** These are most commonly competition or corporate lawyers with experience of the Bribery Act.

"A significant number of vacancies have been contract roles to work on specific projects, many of which have been international

06

SALARY GUIDE AND COMPENSATION SURVEY **2013**

Legal

This Mid-Year Report includes a significantly expanded section on salaries and compensation, designed to give a much fuller picture of overall remuneration packages.

Most lawyers are keen to know their market worth. This is not always easy to address. Two otherwise similar lawyers may enter the recruitment market and accept materially different salaries. We provide this caveat because we are aware that the legal recruitment market is sufficiently diverse that it defies simple categorisation. However, lawyers and their employers want guidance and this is what we attempt to provide.

As recruitment consultants we are involved in the negotiations that take place between employers and prospective employees. We are aware that whilst salary is usually the most important factor, there are a number of other aspects that go to make up total remuneration. In addition to the data we gather from the placements we make and the recruitment work we do, including contact with legal and human resources departments about salary and other benefits, we have also conducted a Compensation Survey to provide specific detail on all different types of remuneration within legal.

This is a survey of lawyers registered with Barclay Simpson and was conducted in June 2013. It generated several hundred responses.

We hope that you find the results interesting. This report provides the key highlights of the Survey. If you would like more detail about your specific sector or role, please call Adrian Simpson on 020 7936 2601 (as@barclaysimpson.com).

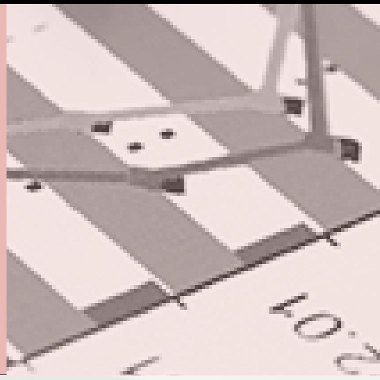
This section is broken down into 4 parts:

1. **Key conclusions** – Key conclusions from Legal Compensation Survey
2. **Overview** – Provides a commentary on the major trends in the salaries and other benefits paid to lawyers
3. **Compensation Survey** – Results of Compensation Survey completed by lawyers
4. **Salary Guide** – Guide to salaries for specific levels of experience

1

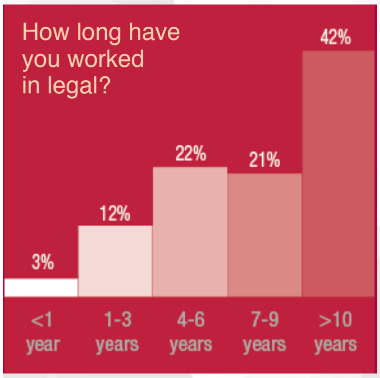
Key Conclusions

The results from the Barclay Simpson Legal Compensation Survey were broadly encouraging and provide further evidence of a strengthening legal recruitment market.



Mature market with highly experienced workforce

- **85%** of legal professionals surveyed have over 4 years' experience
- High level of experience and qualifications



Recruitment activity fairly high

- **33%** of in-house lawyers surveyed have changed job in the last 12 months

High salary increases

- Average increase **14%** for lawyers who moved, versus **5%** for those who stayed with their existing employer
- **28%** of lawyers who stayed with their employers received no increase or a salary cut

Benefits high - average package around 32% of salary

Bonuses

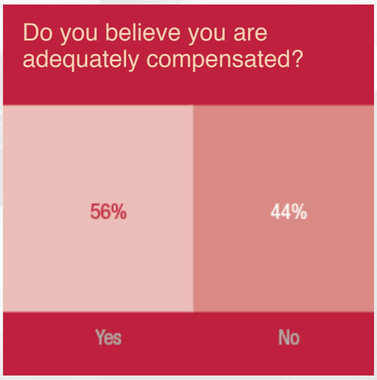
- **88%** of lawyers receive a bonus
- Average bonus equivalent to **22%** of basic salary

Pensions

- **82%** receive pension contributions
- Average employer contribution equivalent to **9%** of basic salary

Other allowances

- **64%** benefit from other allowances
- Average value of additional benefits **£3,700**



General satisfaction with remuneration and conditions

- **56%** satisfied with current remuneration
- **45%** benefit from flexible working
- Average holiday entitlement **26 days**

2

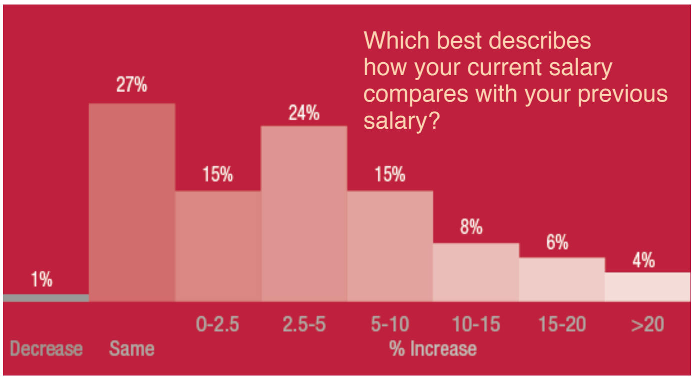
Overview

The UK economy is recovering and the number of people working in legal is increasing. However, companies have been looking to ruthlessly control costs. This has been evidenced by both their reluctance to recruit externally and the rate of salary increases received by lawyers who stayed with their employer.

Salary increases achieved by lawyers who stayed with their employer

According to our Survey, the average increase for lawyers across all sectors who stayed with their existing employer is 5%. Whilst the headline rate is perhaps unsurprising, averages can be misleading. Many of the people who stayed with their employer will have benefited from promotions.

Breaking down the increases tells a different story and provides evidence of the way costs are being controlled. **During the last year, 28% of lawyers working in-house suffered a pay cut or no salary increase, 15% were rewarded with a salary increase of less than 2.5%.** Given an inflation rate of 2.9%, this represents a fall in real earnings. It is broadly consistent with other areas of corporate governance and trends in the wider economy. The average increase achieved by lawyers working in commerce was 5.4% and 4.9% in financial services. Increases in private practice were 5.1%.



Motivation for entering the recruitment market

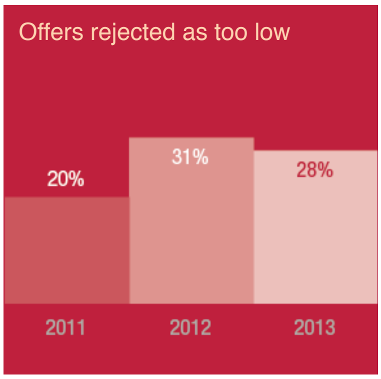
The analysis here is broken down between those who are primarily motivated to increase their salary, those who feel they have no choice because of a real or apparent threat to their job security and the majority who are simply seeking career progression.

At 13%, defensive registrations have fallen significantly and are close to historic lows. In 2009, in the immediate aftermath of the financial crisis, this figure was close to 30%. 4% of lawyers responding to our survey were not working and 66% of those were as a result of redundancy. More positively, only 17% of those not working had been out of work for longer than 3 months. This is clearly a positive development and adds credence to our belief in the turnaround in the legal recruitment market.

There is a rise in the number of lawyers looking to increase their salary. This is not surprising, given that 43% of respondents to our survey indicated in the last year they had received a salary increase below the rate of inflation. However, overall 56% of lawyers reported that they believed they were adequately compensated. **Although the primary motive for the majority of candidates entering the recruitment market remains career development, most lawyers will seek a salary increase when changing employer.**

Offers rejected as deemed too low

An insightful statistic is the number of offers that are rejected for being too low. That is the percentage of lawyers who have rejected an offer they would have otherwise accepted, simply on the basis of salary. It represents the propensity of prospective employers to make realistic offers rather than simply opportunistic ones. It also provides some insight into how lawyers view their bargaining power.



The rate at which offers were rejected rose between 2011 and 2012. We felt that this was the result of companies making unrealistic offers and only the most marketable lawyers actually receiving offers. Given their marketability they frequently had more than one offer and were also more likely to be counter offered by their existing employer. We concluded last year that companies were making more realistic offers in response to their need to recruit. We see this trend continuing. **This year we see lawyers becoming more secure and assertive in respect of their market worth. If they are going to move they expect this to be financially beneficial.** This is consistent with both the salary increases being achieved in the recruitment market and the fall in the number of defensive registrations.

> For many, a job move has allowed them to get into a sector or gain experience with a company that they believe will be career enhancing.

Salary increases achieved by changing employer

Salary levels achieved by changing employer

Last year the average salary increase achieved by lawyers changing job was 13% and close to its long term average. This has pushed higher and is now 14% which is the highest it has been for two years. Many lawyers who are able to secure a new position are in a stronger bargaining position than they have been. Companies are also finding it harder to recruit, with good candidates receiving multiple offers. This is being reflected in the salary increases secured.

There is clearly a significant difference between the 14% increase in salary achieved by changing job and the 5% average achieved by staying with an existing employer. However, it is worth looking at the breakdown of the average.

Which best describes how your current salary compares with your previous salary?

At first it might seem curious that 24% of lawyers would move for less or the same salary. The principal reason for this is the movement of lawyers from private practice into in-house roles. Taking a cut in salary is a price many lawyers are prepared to pay in order to benefit from what they perceive to be the enhanced career development that it offers as well as the opportunity to have more control over their work-life balance. For others, a move away from London maybe the reason or, for those who have been made redundant, it is the opportunity to get back into work. For many it is because a job move has allowed them to get into a sector or gain experience with a company that they believe will be career enhancing.

Equally, 44% of lawyers benefited from increases in excess of 15% and overall 19% benefited from increases in excess of 30%. **Whilst some of these increases are the result of people relocating to London or from overseas, clearly companies are willing to pay significant increases to those lawyers with the skills and experience that match their often strict requirements.** Companies recognise that these lawyers are in short supply and are clearly prepared to turn offers down and stay with their existing employer if they consider offers to be too low.

Salary v Remuneration

Base salaries always catch the headlines. However, offers of employment invariably include other benefits. On average, these additional benefits make up to 31% of total remuneration of lawyers working in-house. **We will use this opportunity to provide an overview of the other benefits that lawyers might expect to receive.**

Bonuses

Last year an average of 88% of lawyers working in-house reported that they benefited from an annual bonus (93% in financial services and 85% in commerce) Bonuses, whilst potentially a good way of retaining and motivating staff, are almost invariably an inefficient way of attracting them.

Bonuses are usually non contractual, often discretionary and may be paid on the basis of corporate or personal performance or a combination of the two. There is often a qualifying period.

One issue with bonuses is that whilst a lawyer entering the recruitment market who has benefited from a bonus will add it to their base salary, they are more inclined to discount bonuses when discussing their expected future salary. This goes some way to explaining the relatively high increases in the base salaries achieved by lawyers moving between employers.

Bonuses vary considerably and, as it stands, a typical offer made to a lawyer will contain a non contractual offer of a bonus. Given the difficulties that it tends to engender, bonuses are now more likely to begin accruing from the time that employment starts rather than accruing from the start of an annual qualifying period. **At 25% the average bonus paid to lawyers working in financial services was significantly higher than the average 18% paid to those working in commerce.**

> The most valuable benefit is Critical Illness Cover which is expensive to provide and is usually restricted to senior roles. However, Private Health Insurance is common.

Pensions

For new recruits, final salary pensions no longer exist in the private sector. For those who still benefit from them they have become increasingly valuable and the cost of giving them up to join a new employer can be prohibitively expensive.

82% of lawyers reported that they benefit from employer pension contributions and this percentage was consistent across both financial services and commerce. Pension schemes in the private sector are invariably money purchase where the company commits to making a contribution based on a percentage of salary. Whilst there is often a short qualifying period before contributions commence, a period in excess of six months would be considered unusual.

Most arrangements require the employer to make a contribution based on a fixed percentage of base salary. The employee may or may not be required to match it. Frequently employers will be prepared to match additional contributions made by the employee up to a fixed percentage. The percentage may increase both with the age of the employee, their years of service and most often their level of seniority.

The average employer pension contribution was 8% in commerce and 9% in financial services.

Other benefits

Cars or car allowances have become a less common benefit. They can still be expected where a role requires significant travel and also for senior hires. In terms of overall remuneration a car allowance is frequently offered in lieu of a car and is often considered as non pensionable salary when evaluating overall remuneration. The most valuable other benefit is Critical Illness Cover which is expensive to provide and it is usually restricted to senior roles. However, Private Health Insurance is common and is often extended to all immediate family members.

Life assurance linked to a pension scheme is usual as is payment of at least one professional subscription. Other benefits may include season ticket loans, gym membership, subsidised dental care, personal and accident insurance and staff discounts. These are generally low value benefits. **The average overall value of other benefits across in-house legal was reported to be £3,700. At £4,600 commerce showed a higher amount than the £3,000 reported in financial services.**

Flexible benefits

This refers to schemes where employees are offered limited core benefits in addition to their base salary. They can then choose to buy from a menu of additional benefits. These schemes became popular 10 years ago, particularly in the accounting profession and retail banks, and are becoming more popular with other employers.

Holiday entitlement

The most common number of days holiday is 25 days, but there can be wide variations between sectors. The average in the survey was 26 days with lawyers working in financial services on average benefiting from one additional day over those working in commerce. Holiday entitlement is also frequently related to the level of seniority and can also be linked to the number of years service. If the latter is the case then the initial holiday entitlement is likely to be lower than it might otherwise be. As a strategy it represents a good way of rewarding loyalty and retaining staff but a poor way of attracting new employees.

An increasingly popular benefit is to provide employees with the opportunity to buy additional holidays. This is usually limited to an additional 5 days and would be purchased through salary sacrifice.

Flexible working

Flexible working is the opportunity to vary hours of work or to work from home. **Only 45% of lawyers reported that they benefit from this which is lower than in other areas of corporate governance.** Most offers of employment in the private sector will list core hours and an employment base which is usually not formally negotiable. However, many companies, once employment starts are prepared to be more flexible especially around start and finish times. Employers are ultimately more concerned with output rather than simply attendance. Flexible working is an effective means of retaining staff, particularly as few employers formally offer it initially.

3

Compensation Survey

General results

Recruitment activity up

- 33% of in-house lawyers surveyed had changed employer in the last 12 months which was split 44% commerce and 28% financial services. Whilst this cannot be considered representative of the legal community, 33% is high and significantly up on a year ago

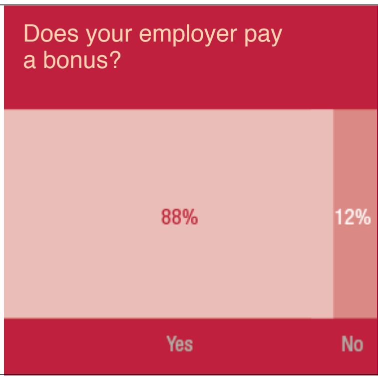
Differences by sector

- Managers in financial services less likely to have changed employer
- 58% of lawyers working in brokerages had changed employer versus only 16% within investment banking
- Managers in commerce no more likely to have changed employer although 54% of lawyers working for medium sized companies had changed

Bonuses

Bonuses highly significant

- Overall 88% of in-house lawyers benefited from a bonus
- 93% of lawyers in financial services benefited
- 85% of lawyers in commerce benefited

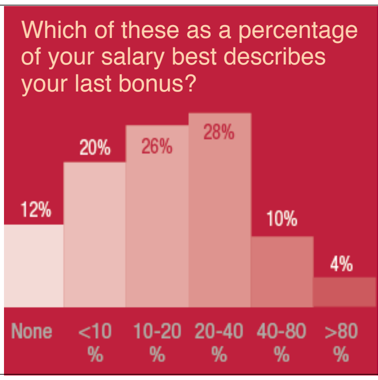


Differences by sector

- Managers generally more likely to receive a bonus
- Smaller companies in financial services more likely to pay a bonus than larger ones in commerce
- Within financial services - asset management, brokerage, private bank/ wealth managers and private equity universally paid bonuses

Bonus level high

- Average bonus paid to in-house lawyers 22% of basis salary
- In house financial services 25%
- In house commerce 18%

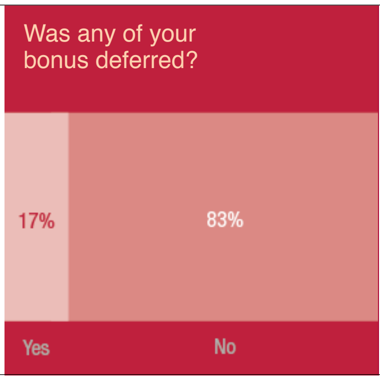


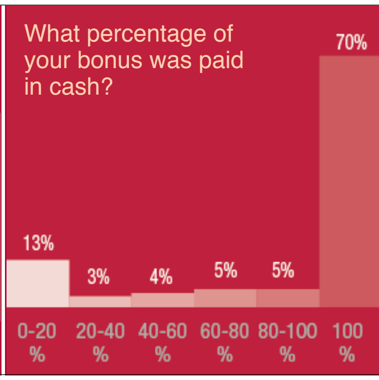
Differences by sector

- Managers benefit from bigger bonuses. 31% in financial services and 20% in commerce

Very few conditions attached

- **Only 17% of bonuses deferred**
- **70% of bonuses paid in cash**





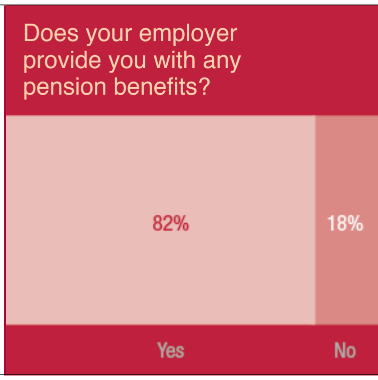
Differences by sector

- Bonuses in commerce less lightly to be deferred and more likely to be paid in cash
- Bonuses for managers more likely to be deferred and less likely to be paid in cash
- Small companies less likely to impose conditions on bonuses

Pensions

Pensions also a key part of remuneration

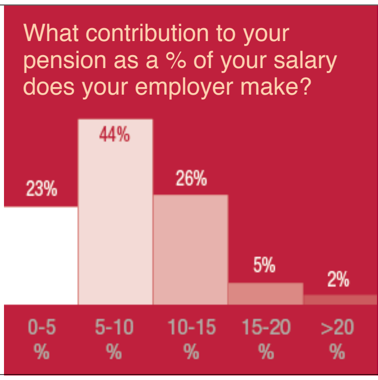
- **82% of lawyers in both commerce and financial services benefit from pension contributions**



Differences by sector

- Managers more likely to benefit from pension contributions
- Smaller companies less likely to make pension contributions
- Within financial services less than 50% of hedge funds and private equity groups provide pension benefits against 100% of retail banks and insurance companies

- **Average pension contribution in commerce equivalent to 8% of basic salary, 9% in financial services**



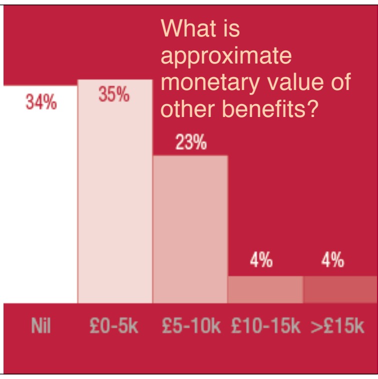
Differences by sector

- In commerce 47% receive more than a 7.5% pension contribution, 55% in financial services

Other benefits

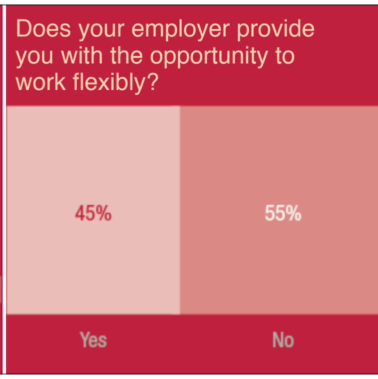
Other benefits also significant

- **Average value of other benefits worth £4,600 in commerce, £3,000 in financial services**
- **51% of lawyers benefit from flexible working in commerce, only 42% in financial services**



Flexible working

Flexible working less prevalent in legal

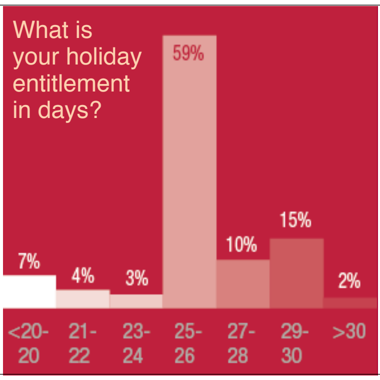


Differences by sector

- Other benefits more valuable in larger companies
- Managers more likely to receive other benefits and the value is higher
- Only 35% of smaller companies offer flexible working against 56% of larger companies

Holiday entitlement
Higher in financial services

- **25 days is the most common holiday entitlement in both commerce and financial services.**
- **The average holiday entitlement in commerce in 25 days against 26 in financial services**

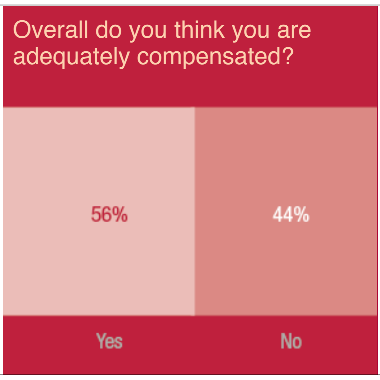


Differences by sector

- Large companies offer better holiday entitlements
- 59% of lawyers working in retail banks get 30 days holiday or more

Content with compensation?
General satisfaction with compensation

- **Overall 56% of lawyers satisfied with compensation**
- **61% of lawyers working in commerce believe they are adequately compensated against 52% in financial services**



Differences by specialism

- Only 54% of managers believe they are adequately compensated
- Only 33% of lawyers working in retail banking believe they are adequately compensated
- Investment banking and hedge funds are best paid sectors to work in

4

Salary Guide

SALARY GUIDANCE

Barclay Simpson analyses the salary data that accumulates from the placements we make in the UK. This provides a guide to the salaries available. In each sector we are providing guidance on what we believe to be the range and the likely average salary available to lawyers.

The salary ranges quoted are for good rather than exceptional individuals and take no account of other benefits in addition to the salary that usually accrues to lawyers, such as bonuses, profit sharing arrangements and pension benefits.

INVESTMENT BANKING	
Newly Qualified (0-1 yrs exp)	£50 – £60,000
Junior Lawyer (2-3 yrs exp)	£65 – £85,000
Lawyer (4-5 yrs exp)	£75 – £100,000
Lawyer (6-7 yrs exp)	£90 – £120,000
Senior Lawyer (8+ yrs exp)	£110 – £140,000
Head of Legal	£130 – £200,000
General Counsel	£150,000+

ASSET MANAGEMENT/WEALTH MANAGEMENT	
Newly Qualified (0-1 yrs exp)	£45 – £60,000
Junior Lawyer (2-3 yrs exp)	£60 – £80,000
Lawyer (4-5 yrs exp)	£75 – £90,000
Lawyer (6-7 yrs exp)	£85 – £110,000
Senior Lawyer (8+ yrs exp)	£95 – £130,000
Head of Legal	£110 – £160,000
General Counsel	£130,000+

RETAIL BANKING	
Newly Qualified (0-1 yrs exp)	£45 – £55,000
Junior Lawyer (2-3 yrs exp)	£55 – £70,000
Lawyer (4-5 yrs exp)	£65 – £80,000
Lawyer (6-7 yrs exp)	£70 – £85,000
Senior Lawyer (8+ yrs exp)	£80 – £100,000
Head of Legal	£90 – £130,000
General Counsel	£120,000+

INSURANCE	
Newly Qualified (0-1 yrs exp)	£45 – £60,000
Junior Lawyer (2-3 yrs exp)	£55 – £75,000
Lawyer (4-5 yrs exp)	£70 – £90,000
Lawyer (6-7 yrs exp)	£75 – £95,000
Senior Lawyer (8+ yrs exp)	£80 – £100,000
Head of Legal	£90 – £130,000
General Counsel	£120,000+

COMMERCE - FTSE 100 (OR EQUIVALENT MULTINATIONAL COMPANY)	
Newly Qualified (0-1 yrs exp)	£45 – £55,000
Junior Lawyer (2-3 yrs exp)	£50 – £70,000
Lawyer (4-5 yrs exp)	£65 – £85,000
Lawyer (6-7 yrs exp)	£75 – £95,000
Senior Lawyer (8+ yrs exp)	£80 – £110,000
Head of Legal	£100 – £140,000
General Counsel	£140,000+

IN-HOUSE COMMERCE - FTSE 250	
Newly Qualified (0-1 yrs exp)	£40 – £50,000
Junior Lawyer (2-3 yrs exp)	£48 – £65,000
Lawyer (4-5 yrs exp)	£60 – £80,000
Lawyer (6-7 yrs exp)	£70 – £90,000
Senior Lawyer (8+ yrs exp)	£75 – £100,000
Head of Legal	£95 – £120,000
General Counsel	£120,000+

IN-HOUSE COMMERCE - SME	
Newly Qualified (0-1 yrs exp)	£35 – £45,000
Junior Lawyer (2-3 yrs exp)	£42 – £62,000
Lawyer (4-5 yrs exp)	£58 – £75,000
Lawyer (6-7 yrs exp)	£65 – £87,000
Senior Lawyer (8+ yrs exp)	£70 – £95,000
Head of Legal	£90 – £115,000
General Counsel	£115,000+

07 ABOUT BARCLAY SIMPSON

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Barclay Simpson is an international corporate governance recruitment consultancy specialising in internal audit, risk, compliance, security, business continuity, legal and treasury appointments. Established in 1989, Barclay Simpson works with clients in all sectors throughout the UK, Europe, Middle East, North America and Asia-Pacific from our offices in London, Edinburgh, New York, Dubai, Hong Kong and Singapore.

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Our strength lies in our ability to understand client and candidate needs and then to use this insight to ensure our candidates are introduced to positions they want and our clients to the candidates they wish to recruit.

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We also produce other specialist reports, each of which can be accessed for free on our website: www.barclaysimpson.com

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