Director's Statement on Corporate Governance

Corporate Governance Report
The Board of Directors is collectively accountable to the Company's shareholders for good corporate governance and is committed to maintaining compliance with the principles of corporate governance contained in the Combined Code on Corporate Governance issued in 2006, and as amended in section 1 of the Combined Code issued in 2008 by the FRC (The Code).

A narrative statement on how the Company has applied the Principles throughout the year ended 31 December 2009 and a statement of compliance appears at the end of this report on page 23.

Directors and the Board

Board effectiveness
The Company is controlled through the Board of Directors which, on 31 December 2009 comprised four Executive and four Non-Executive Directors. The biographies of the current Directors are shown on pages 10 and 11 of this report.

The Board meets quarterly and additionally as necessary and is responsible for overall Group strategy, acquisitions and the consideration of significant financial matters. It reviews the strategic direction of the Group's trading companies, their annual budgets and their progress towards achievement of those budgets. The Board is responsible for ensuring the integrity of financial information and that the financial controls and systems of risk management, both financial and non-financial, are robust and appropriate.

The Board has delegated the following activities to the Executive Directors:
- the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board;
- implementation of the strategies and policies of the Group as determined by the Board;
- monitoring of the operating and financial results against plans and budgets;
- monitoring the performance of acquisitions and investments against plans and objectives;
- prioritising the allocation of capital, technical and human resources; and
- developing and implementing risk management systems.

New Directors receive a full, formal and tailored induction on joining the Board in order to further inform them of the Company's activities and structure. All Directors are able to take independent professional advice, at the Company's expense, in the furtherance of their duties, if necessary. The Company also makes appropriate training available to all existing Directors. All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

When absence from meetings is unavoidable the views of the Director concerned are sought in advance then put to the meeting in order to facilitate a comprehensive discussion. Each Director continues to make themselves available to their fellow directors and ensures he/she contributes to the major decisions before the Board.

Executive Directors are entitled to accept external appointments outside the Company and retain the fees from such appointments provided that the Chairman's permission is sought and confirmed by the Board.

Chairman, Chief Executive and Senior Independent Director
The Chairman, Lord Bell, is responsible for the running of the Board and he ensures that all Directors receive sufficient, accurate and timely information on financial, business and corporate issues prior to meetings. He also ensures that the Non-Executive Directors have access to any further supplementary information they may require should they request it.

The Chief Executive's (Christopher Satterthwaite) responsibilities focus on co-ordinating the Company's business and implementing Group strategy. He is also a member of the Executive Management Team as detailed on page 12.

Rodger Hughes is the Senior Non-Executive Director and is also Chairman of each of the three standing committees.

The Board in 2009
The Board met for regular business on four occasions during the year. Piers Pottinger, Richard Alston and Paul Richardson were each absent for one meeting but on different occasions.

The Board met on two further occasions to discuss the details of the acquisition of the Essentially Group plc. Piers Pottinger and Rodger Hughes were absent from one meeting but their views were sought on the agenda matters in advance then put to the meeting in order to facilitate a comprehensive discussion.

Board balance
As at 31 December 2009 the Board comprised four independent Non-Executive Directors and four Executive Directors, one of whom is the Chairman, all of whom have served throughout the 2009 financial year.

Non-Executive Directors
The individual Non-Executive Directors have different skills, experience and qualifications from working presently or previously in varied sectors of the economy and as such they are able to bring independent judgement to bear on matters for consideration by the Board.

Rodger Hughes was appointed as a Director by the Board in July 2007 and elected by shareholders in May 2008. He is the Senior Non-Executive Director and Chairman of the Audit, Remuneration and Nomination Committees.

The Hon. Richard Alston was appointed as a Director by the Board in July 2008 and was elected by the shareholders at the AGM in May 2009.

Catherine Biner Bradley was appointed as a Director in 2001 and last re-elected by shareholders in May 2009.

Paul Richardson is the WPP plc representative on the Board under the subscription agreement of 1997 and has been a Director of the Company since that date. He was last re-elected by shareholders at the AGM in May 2009. Under the Code and due to his length of service, he is required to retire and submit for re-election by shareholders annually.

The Board considers its current Non-Executive Directors to be of sufficient calibre and number that their views may be of sufficient weight that no individual or small group can dominate the Board's decision-making process. Their qualifications and experience is relevant to their directorships and in their appointments to the Committees where relevant (see page 10).

The Non-Executive Directors' terms and conditions of appointment are available for inspection at the Company's registered office on request and will be available, together with the Executive Directors' service contracts, at the forthcoming AGM.

Independence of Non-Executive Directors
The Code states that it is for the Board to determine whether a Director is independent in character and judgement and consider whether there are any relationships or circumstances that are likely to affect a Director's judgement.

In applying the Code, the Board has considered whether the length of service of Paul Richardson (13 years) has compromised his independence. He is experienced and accomplished in his fields of expertise. In his association with the Company he has acquired an understanding of the Company's operations, its markets and the issues determining its success. He has shown commitment to the Company in both time and effort. The Board does not consider his long service as a Director to be detrimental or to have eroded his objectivity and it should not raise any concerns about his ability to perform his duties.

Paul Richardson is the WPP plc representative on the Board as stated above.

Performance evaluation has shown that he continues to have a good record of involvement in Board-level discussions and contributes additional help to further the Company's strategies. The Board considers Paul Richardson to be independent.

The question of Non-Executive Directors' shareholdings should also be considered when assessing independence. Rodger Hughes and Catherine Biner Bradley each hold a small number of shares in the Company as disclosed on page 31. The Board considers that these holdings are not significant and believes this should not raise questions regarding their independence. The Board considers that Directors owning shares in the Company directly aligns them with the interests of the shareholders.

Following performance evaluations for 2009 the Board has considered the independence of its Non-Executive Directors and continues to consider them to be independent in both judgement and character and that the circumstances shown above are unlikely to affect their respective judgements when considering matters of the Company.

Retirement and Proposed Re-Election of Directors
In line with the provisions of the Code directors are required to submit to the shareholders for re-election every three years. Additionally the Company believes that governance is served by that rule being supplemented by one third of the total number of Directors standing for re-election at each AGM. As a result, the following Directors are due to retire immediately before, and are proposed for re-election at, the forthcoming AGM.

Mark Smith (retiring by rotation). Mark is the Group Finance Director and was first appointed to the Board in 1994 and last re-elected by shareholders in 2007.

Catherine Biner Bradley (retiring due to length of service). Catherine is a Non-Executive Director and a member of each of the three standing Committees. She was first appointed to the Board in 2001 and last re-elected by shareholders in 2009. Catherine is proposed for re-election due to her length of service being 9 years (in September 2010). Under the Code Catherine will now retire and be proposed for re-election annually.

Paul Richardson (retiring due to length of service). Paul is the WPP plc representative on the Board and in addition to being appointed as a Non-Executive Director in 1997 sits on the three standing Committees. Under the Code, due to his length of service he is required to retire and be proposed for re-election annually. He was last re-elected at the AGM in May 2009.

Standing Committees
Membership of the three standing Committees is restricted to those Non-Executive Directors deemed to be independent by the Board and is shown on page 10.

Audit Committee

Summary of the role of the Audit Committee
The Audit Committee is appointed by the Board from the non-executive directors of the company. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Combined Code.

The Audit Committee is responsible for:
- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance together with reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal control and systems of risk management;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board for a resolution to be put to the shareholders for their approval in general meeting, for the appointment of the external auditors and the approval of their remuneration and terms of engagement;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- Monitoring and, where appropriate, approving the parameters for the engagement of the external auditors to supply non-audit services taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee reports its findings to the Board, identifying any matters on which it considers that action or improvement is required, and makes recommendations on the steps to be taken.

Composition of the Audit Committee

Membership
Membership of the Committee is reviewed by the Chairman of the Committee and the Group Chairman (who is not a member of the Audit Committee) at regular intervals and they recommend new appointments to the Nominations Committee for onward recommendation to the Board. The Committee is comprised of three independent non-executive directors, which is the minimum membership required under the Terms of Reference. Two members constitute a quorum.

The Audit Committee is required to include one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). Currently the Audit Committee Chairman, Rodger Hughes and Paul Richardson both meet that requirement.

The members of the Audit Committee are:

Name	Date of appointment	Qualification
Rodger Hughes (Chairman)	1st July 2007	Chartered Accountant
Catherine Biner Bradley	4th December 2003	Lawyer
Paul Richardson	3rd December 1998	Chartered Accountant

The Board considers that the relevant experience and specialist expertise of each of the current members of the Committee is highly beneficial to the performance of the Committee.

The Audit Committee in 2009
The Committee met on four occasions during the year. Paul Richardson was absent from one meeting. The external auditors are represented at each meeting and may request a meeting of the Committee without management being present if necessary.

In 2009 the Audit Committee has discharged its responsibilities by performing the standing duties summarised above and the following activities:
- considered a review of the internal controls and risk management systems including the resources required for an appropriate internal audit function for the Group's growth;
- monitored the continuing development of the Company's contingency plans;
- considered the response to new and revised legislation and regulatory requirements;
- reviewed the Group's draft preliminary and interim results statements prior to Board approval and reviewed the external auditors' detailed reports thereon;
- reviewed the Group's interim management statements and pre-close period updates prior to their release;
- reviewed the appropriateness of the Group's accounting policies;
- reviewed regularly the impact on the Group's financial statements of matters such as the adoption of new International Financial Reporting Standards;
- recommended to the full Board, which adopted the recommendation, the reappointment of Deloitte LLP as the Group's external auditors;
- reviewed and approved the audit fee and reviewed non-audit fees payable to the Group's external auditors; and
- reviewed the external auditors' plan for the audit of the Group's accounts, which included key areas of scope of work; key risks on the accounts; confirmations of auditor independence and the proposed audit fee and approving the terms of engagement for the audit.

External auditors
- The Audit Committee is responsible for the development, implementation and monitoring of the Group's external audit function. Oversight and responsibility for monitoring the independence, objectivity and compliance by the external auditors with ethical and regulatory requirements lies with the Committee, and day to day responsibility is delegated to the Group Finance Director. The external auditors are jointly responsible to the Board and the Audit Committee but the Committee is the primary contact. The Committee monitors and, where appropriate, approves the parameters for the engagement of the external auditors to supply non-audit services.

To fulfil its responsibility regarding the independence of the external auditors in 2009, the Audit Committee reviewed:
- the external auditors' plan for the current year, noting the role of the senior statutory audit partner, who signs the audit report and who, in accordance with professional rules, has not held office for more than five years, and any changes in the key audit staff;
- the arrangements for day-to-day management of the audit relationship;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- the overall extent of non-audit services provided by the external auditors in addition to its case-by-case approval of the provision of non-audit services by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:
- the arrangements for ensuring the external auditors' independence and objectivity;
- the external auditors' fulfilment of the agreed audit plan and any variations from the plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- the content of the external auditors' reporting on internal control.

Following the above, the Audit Committee has recommended to the Board that Deloitte LLP is re-appointed.

Remuneration Committee

Summary of the role of the Remuneration Committee
The Committee measures the performance of the Executive Directors and of key members of senior management as a prelude to recommending their annual remuneration. The Committee is also responsible for overseeing grants under the Company's Co-Investment Plan, Executive Share Option Scheme, the Savings-Related Share Option Scheme, the Deferred Share Plan and the VCCP Key Players Incentive Scheme to employees of the Group. When required the Chairman, Lord Bell, attends the meetings but is not actually a member. The remuneration of the Non-Executive Directors is recommended by the Chairman and Finance Director and takes account of the time spent on Board and Committee matters. Final decisions are made by the Board but no Director takes part in any discussion regarding his or her own remuneration.

Composition of the Remuneration Committee
The membership of the Committee is shown on page 10. Rodger Hughes is Chairman.

The Remuneration Committee in 2009
The Committee met on three occasions during the year. All the members were present at two meetings; Paul Richardson was absent on one occasion.

The Committee has considered the maturity in 2010 of the 2006 Co-Investment Plan for Executive Directors and senior executives and has supervised the development of a replacement plan to be introduced in 2010 (further details are included in the Remuneration report on page 27 and in the Notice of Meeting for the forthcoming AGM).

It has reviewed and approved a further grant under the Company's Deferred Share Plan for senior managers and of the Savings-Related Share Option Scheme, which is open to all staff after a qualifying period of employment. The Committee has reviewed and made a further grant under the VCCP Key Players Incentive Scheme. The Committee continues to monitor the administration of the incentive schemes and the performance targets that apply to each.

The Committee has considered the performance of the individual Executive Directors against a predetermined set of key performance indicators and has agreed their remuneration as set out on page 29. The Committee has also approved the disclosures to shareholders in the financial statements of the Company.

The Committee has re-appointed Towers Watson as external advisors on remuneration matters.

Nominations Committee

Summary of the role of the Nominations Committee
The Committee leads the process of appointments to the Board by evaluation of the skills, knowledge and experience required for a particular appointment.

The Code requires the Company to have a formalised process for the selection and appointment of new Directors. The Board considers that a prescriptive procedure is inappropriate and could prove restrictive and costly both in terms of identifying potential candidates and the selection process itself. The Company does not believe that it should commit to the exclusive use of external recruitment consultants, although there may be occasions where this method is employed.

Composition of the Nominations Committee
The membership of the Committee is shown on page 10. Rodger Hughes is Chairman.

The Nominations Committee in 2009
The Committee did not meet during the year.

Performance evaluation

The Directors
The performance evaluation of the individual Directors for 2009 took place in early 2010.

The Remuneration Committee, led by Rodger Hughes, the Senior Independent Non-Executive Director, evaluated the performance of the Executive Directors. This was against individual key performance indicators set during the year by the Committee.

The Executive Directors, led by the Chairman, is responsible for the assessment of the performance of the Non-Executive Directors.

The performance evaluations of the Directors showed continued commitment by each Board member and did not identify any areas of concern.

The Board, the committees and the management process
Additionally, and in line with the requirements of the Code, the Company carries out annual performance evaluations of the Board, the Committees and the processes utilised by each forum. The aim of the evaluation is to recognise the strengths and address any weaknesses of the management process; to ensure that the Board meets its objectives and that effectiveness is maximised.

The work of the Board and its Committees together with the processes used and the business transacted during the year is assessed by each forum, taking into account the specific workloads of each; the knowledge and expertise of its members and; the recommendations made to the Board regarding specific tasks put before the Committees concerned.

The performance evaluations of the Board and Committees did not identify any issues of concern or failure or incapacity to perform the duties for which they are convened or in meeting the duties as summarised above.

Relations with shareholders
The Company is keen to promote two-way communications with its institutional and private investors and responds quickly to queries received. Lord Bell, Chairman; Christopher Satterthwaite, Chief Executive; and Mark Smith, Group Finance Director, are the Company's principal spokespersons with investors, analysts, the press and other interested parties.

All shareholders are sent copies of the Company's Annual and Interim Reports and, where appropriate, circulars and prospectuses. The Annual and Interim reports are also published on the Group website, www.chime.plc.uk, together with announcements, press releases and Company information. This enables investors worldwide to keep informed of the Company's progress. Shareholders are given at least 21 days' notice of the Annual General Meeting at which all Directors are generally present and at which questions are both invited and encouraged.

Electronic and Web Communications
At the AGM in 2008 shareholders passed a resolution authorising the Company to utilise electronic means of communication with its members. In February 2010 shareholders were given the option to receive shareholder communications by electronic means. The Company believe this equates with the advice it gives to its clients regarding utilising all channels of communication and also further illustrates our commitment to the environment by reducing the carbon emissions associated with the production and delivery of printed matter.

Accountability and audit

Financial reporting
A review of the businesses in the Group is included in the Chief Executive's Review. The Board uses this, together with the Chairman's Statement and the Directors' report on pages 32 to 37 to present a balanced and understandable assessment of the Company's position and prospects. The Directors' responsibilities for the financial statements are described on page 38 of the Report and Financial Statements.

Internal control
The Board has established a process for identifying, evaluating and managing significant risks faced by the Group. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance). The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The control and risk management procedures are designed to highlight any weaknesses and/or failures in the systems to the Board at the earliest opportunity together with action taken and/or proposed. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Information on the Group's significant risks, together with the relevant control and monitoring procedures, is reviewed on a monthly basis by the heads of the business units under the guidance of a nominated Executive Director. This information is presented to the Executive Directors to assess any identified risks and the overall effectiveness of the system of internal control. An update on all significant risk management issues is made to the Board at each quarterly meeting. Additionally, companies annually complete a review of specified risk areas and their local risk management processes under the supervision of the trading division finance directors, the Group Internal Auditor and the Company Secretary. The Company also has a sub-committee of the Audit Committee, the Risk Management Committee, that specifically monitors and investigates potential areas of risk raised by the trading companies and by the Group centralised administrative management in areas such as Legal, Human Resources and IT.

The Board recognises the need to ensure that established risk management procedures and standards are integrated into all acquired businesses and accordingly potential areas of non-compliance are identified during the due diligence process and addressed post-completion.

The internal audit function reports directly to the Audit Committee. A review of this function has been conducted and reported to the Board within the annual review of the system of internal controls. Recommended changes to the scope and application of internal audit procedures have been adopted and resourced accordingly. The internal audit programme for the year has been presented to and approved by the Audit Committee.

The Group has a number of overseas companies including businesses in Europe, the USA and the Middle East. The acquisition of Essentially Group plc in November has further increased the number of overseas locations with additional offices in Australia, India and New Zealand. The Audit Committee has broadened the scope of work of both the internal audit functions and the systems of risk management in order to ensure standards of control are maintained throughout the enlarged Group. Control of the overseas businesses is currently effected by designated senior executives reporting directly to the Board.

Given the nature of the Group's activities, the Board recognises the risks associated with its ability to attract, motivate and retain talented employees. Accordingly, a significant part of the Group's risk management procedures are focused in this area and the Group continues to utilise employee benefits schemes shown on pages 80 and 81 to help meet this requirement.

Code of Conduct
Whilst the Company accepts that each of its individual brands will have its own unique culture, the Group has adopted a set of key values, underpinned by a published Code of Conduct covering ethical issues such as bribery and corrupt practices, conflicts of

interest, confidentiality, equal opportunities and discrimination. This is available to all employees and forms part of the induction process for new staff. Compliance with the code is verified via the system of risk identification and management on a regular basis. The Code remains under review and will be adapted as market forces and legal requirements demand or if additional risks are identified.

The Group has a clear, written whistleblowing policy and procedure available to all staff regarding concerns of employees about ethical behaviour and non-compliance with regulatory requirements and/or the law. During 2010 the Group will set up a help line, to be run by an external third party, in order that staff can report any perceived shortcomings within its operations.

The Group has material investments in a small number of associated companies that are not managed by the Group. Accordingly, the Group can only influence, not control, their management practices and therefore the review of internal controls for these operations is less comprehensive than that for the Group's managed operations.

Financial control

The financial control procedures are described under the following five headings:

1. *Financial reporting* – The Group has a comprehensive system for reporting financial results to the Board; each trading company prepares monthly results with a comparison against budget. The Board reviews these for the Group as a whole and by operating segment and determines appropriate action. Towards the end of each financial year the operating units prepare detailed budgets for the following year.

   Budgets and plans are reviewed and necessary changes made by the Board before being adopted formally.

2. *Quality and integrity of personnel* – One of the Group's core values is integrity; this is regarded as vital to the maintenance of the Group's system of internal financial control and is reflected in the quality and experience of the Group's financial staff.

3. *Operating unit financial controls* – Key controls over major business risks include reviews against performance indicators and exception reporting. The trading companies regularly assess their exposure to major business risks and appropriate action is taken both at operating and Group level in order to ensure that risk is minimised as far as possible.

4. *Electronic Data Systems* – The Group's financial and management information is processed by and stored on data systems. Accordingly, the Group has established controls and procedures over the security of data held. The Group has put in place arrangements for processing to continue and data to be retained in the event of complete failure of any system.

5. *Controls over central functions* – A number of the Group's key functions, including treasury, taxation, acquisitions and insurance are dealt with centrally. Each of these functions has clear and detailed procedures and is required to report to the Board on a regular basis; the treasury details are reported daily to the Finance Director.

The Audit Committee and Auditors

The Audit Committee has considered reports made to it by the executive management of the Group, which assesses the major business risks and the control environment against the criteria for assessing internal financial controls which are set out in the guidance for Directors on reporting on internal control. The Audit Committee has reported to the Board that it has been able to review the effectiveness of the Group's system of internal financial control for the accounting year and the period to the date of approval of the financial statements.

The Group has a policy for the employment of the auditors for non-audit work. The auditors work on tax issues and work closely related to their role as the Company's auditors but any increase in fees is strictly controlled by the Audit Committee. Any other non-audit assignments can be awarded to the auditors during the year but only where fees and the scope of work remains within Audit Committee approved limits.

Going concern basis

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 5. The financial position of the Group, its cash flows and borrowing facilities are described in the Finance Director's Report on pages 8 and 9. In addition, note 41 of the financial statements include the group's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments; and its exposure to credit risk and liquidity risk.

As highlighted in note 41 to the financial statements, the Group meets its day to day working capital requirements through an overdraft facility that is due for renewal in June 2010 and a committed facility which matures in June 2013. These facilities are subject to banking covenants as disclosed in note 41.

In preparing forecasts the directors have taken into account the following key factors:

- The possible impact of the continued economic downturn on the Group's business,
- Key client account renewals
- The level of committed and variable costs
- Current new business targets compared to levels achieved in previous years

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility and banking covenants.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

More detail on the Group's cash position and facilities at 31 December 2009, as well as maturities of the financial liabilities, can be found in note 27 to the financial statements. The principal risks and uncertainties faced by the Group are included in the Directors Report. Details of potential contingent liabilities and potential cash outflows in relation to these liabilities can be found in note 36.

Social responsibility

We are in the business of managing brand and corporate reputation on behalf of clients and the Board acknowledges that being socially responsible is an important factor in the management of our business.

The Board confirms that regular consideration is given to the significance of social, environmental and ethical (SEE) issues (as defined by the Association of British Insurers), and as part of our wider operational risk framework, identifies significant risks arising from these areas to short-term and long-term value.

The Group also considers corporate responsibility to be an area of business opportunity. Our subsidiary, Corporate Citizenship, provides not only a focus for our investment in this field but provides the Group with specialist expertise.

The Board believes that corporate responsibility should underpin everything that we do. The Group is therefore committed to demonstrating the importance of this, not only in our work for clients, but in our own working practices.

The Company measures the performance of each of its businesses against a benchmark list of minimum corporate responsibility standards. These cover:

- Promoting good environmental practices – both in our own operations and to our wider stakeholders;
- Empowering community work – the promotion of volunteering and charity work by our staff and companies alike;
- Young people – via our internship, work experience and graduate schemes

The standards are designed to be stretching and, as such, encourage continual improvement in these important areas. The minimum standards will be developed in future to encompass other areas of corporate responsibility.

We continue to report our corporate responsibility performance to our stakeholders via our website. These detail not only the principles of our approach; our targets and our performance but also give examples of the initiatives undertaken.

The Company continues to be listed on the FTSE4Good Index, which evaluates companies' performance on a number of corporate responsibility criteria. Business in the Community awarded the Group a second Big Tick award during 2009 for continued progress in enhancing our environmental performance.

Environment

The business of Chime Communications is primarily in the UK and delivers services to clients based on image, ideas, research and content. As such, our direct and indirect impact on the environment is minimal and considered low-risk.

However, we acknowledge that our customers, staff and other stakeholders have an interest in our impact on the environment and as such we have committed to monitor and improve our environmental performance where possible. The Group has reduced its carbon footprint by 42% since becoming Carbon Neutral in 2007. We are currently assessing our emissions reductions during 2009 and expect to meet our target of a further 5% reduction. We continue to consider and enhance the environmental impact of our businesses and are working closely with our major suppliers to ensure best practice is embedded in our wider operations. We regularly incorporate our environmental performance in business presentations as we believe this is an important consideration when evaluating reputation both for our companies and our clients alike.

Health and safety

The Board believes that our people are our most important asset. Our businesses do not include any industrial or manufacturing processes and our staff are mainly office-based. As such, risk of accidents is low. We do acknowledge that we may expose our staff to additional areas of risk which, whilst not unique to Chime (for example, business travel, event organisation and lone or remote working), do require further scrutiny, mitigation and procedural guidance in order to maximise the wellbeing of our people.

A revised policy and set of procedures was published to staff in September 2008 and has been promoted to staff throughout 2009.

Employee issues

As a people business, our reputation depends on the skills, knowledge and integrity of our people. Chime has fostered an entrepreneurial culture and each of our businesses is encouraged to create a stimulating, rewarding and inspiring work environment for our people.

We recognise that central oversight on human resources issues is beneficial and continually review the employment standards across the Group as part of the general management and risk identification processes.

In order to attract and retain talented staff we continue to operate our Executive Share Option and Savings-Related Share Option Schemes together with our Deferred Share Plan and VCCP Key Players Incentive Scheme. We also continue to review our incentive schemes on an ongoing basis to ensure they are fit for purpose.

Ethics

The Group meets all relevant laws, regulations and codes of practice issued by any relevant Government or appropriate regulator. We ensure that all our people are aware and comply with such standards. In addition, we recognise that integrity is essential to the maintenance of our reputation in the marketplace. As part of our regular review process, issues of conduct are identified, reviewed and the Board is alerted as appropriate. We utilise our published Code of Conduct (see page 20) which formalises the values, behaviour and ethical standards expected of Chime employees. This area remains under review. We maintain our whistleblowing policy and procedure (see page 21) and ensure that our published standards of behaviour are communicated to both new and existing staff.

Compliance statement

Statement about applying the principles of the Code

The company has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above.

Statement of compliance with the Code

Throughout the year ended 31 December 2009, the company has been in compliance with the Provisions of the Code on Corporate Governance issued in 2006, and as amended in section 1 of the Combined Code issued in 2008 by the FRC (The Code), except for Code A.4.6 – Processes used by the Nominations Committee (the reason for non-compliance is shown on page 19); and B.1.4 – Executive Directors' remuneration for external non-executive directorships is not stated, as this information is available in the financial statements of the companies concerned.

Approved by the Board of Directors and signed on behalf of the Board

Robert Davison
Secretary
10th March 2010