



## **Directors' remuneration report 2018**

The following pages set out GMG's Directors' remuneration report for the year ended 1 April 2018. The report includes:

- Remuneration & people committee chair's statement
- The guiding reward principles adopted by the committee and the elements of remuneration
- Details of how the committee sets pay levels
- The total pay to each of GMG's directors in the year
- Details of service contracts
- The governance of executive remuneration at GMG

### **Remuneration & people committee chair's statement**

This is my first Directors' remuneration report as committee chair, having been appointed in December 2017. I would like to thank my predecessor, Judy Gibbons, for her work with the committee and the strong framework I have inherited. The committee will continue to look to take an approach to remuneration and talent matters that is grounded in the unique values of the Guardian and its people, as well as supporting the Scott Trust's purpose of securing independent journalism in perpetuity.

The committee is very aware that pay, and particularly executive pay, can be an emotive subject at the Guardian because of the distinctive values of the organization. As a committee we continue to debate and challenge ourselves on this topic and to seek input from our employees on this subject. The Remuneration Committee Information and Consultation Forum ("the RCICF") is a body made up of elected representatives from GNM employees which has the opportunity to input and influence remuneration committee agenda matters. It has been a valuable source of perspective and challenge for the committee, and I look forward to its input throughout 2018/19.

#### *Remuneration matters for the year*

During 2017/18 the committee has not made any changes to how executive directors are paid.

The CEO of GMG, David Pemsel, the CFO of GMG, Richard Kerr, and the editor-in-chief of GNM, Katharine Viner, continue to be paid in the form of base salary, benefits and pension contributions only. For the third consecutive year, no executive directors have received a salary increase.

They do not receive any bonus payments such as performance related variable compensation or long-term performance related payments, consistent with the remuneration structure introduced in 2015/16. The committee continues to believe this simple approach to pay is appropriate for GMG and reflects the unique values of the Guardian.



### *Gender pay reporting*

In March 2018 GNM published its first Gender Pay Gap report ([available here](#)). The committee spent some time considering the gender pay gap results the across the organization, the reasons for the gap and, perhaps most importantly, providing input on the action plans for the future.

These are new regulations which are important in highlighting gender pay issues in the UK. Although GNM's gender pay gap was not where we would have wanted it to be, we are confident that the organisation has momentum to move this to a better place. I was delighted to see Katharine Viner and David Pemsel set some ambitious targets in this important area, and look forward to supporting them in achieving our ambitions.

The committee will have an on-going role in monitoring how GNM makes progress in reducing the gender pay gap over the coming years. Our commitment to equality does of course go beyond gender and the committee fully supports all efforts to ensure our workforce is diverse, inclusive and reflects the society the Guardian serves.

### **Jennifer Duvalier**

Chair of the remuneration & people committee

24 July 2018



## Principles and policies

The Scott Trust Limited's core purpose (to secure the financial and editorial independence of the Guardian in perpetuity) requires GMG to operate successfully in a competitive commercial environment. GMG's pay arrangements should be sufficiently flexible to reflect such differences while remaining within the guiding reward principles adopted by the committee. The principles adopted for the year ended 1 April 2018 were as follows.

- The structure and level of executive remuneration must enable the **attraction and retention of executives of the quality the Group requires to deliver successfully on its long-term strategic ambitions**
- Executive remuneration policies should always **support the achievement of the Group's business strategies, and be aligned with the Group's vision and values**
- The Group should avoid paying more than necessary for this purpose. It operates a remuneration framework that **balances considerations of external market competitiveness with internal equities and reflects the importance of the organisation's values and its ownership structure**
- The committee therefore takes account of the relevant external market when setting remuneration levels but is not driven by it and **considers other factors, such as relevant internal pay comparisons and the reputation and attractiveness of the Group's employment brand**

## Pay structure

Our principles are delivered through a simple pay structure based on fixed pay only, made up of base salary, benefits and pension.

Board roles do not participate in any performance based incentives or bonuses. This approach reflects the unique values of the Guardian. This structure was developed following a review of our reward principles in 2015/16 and took into account feedback from the Remuneration Committee Information and Consultation Forum and staff.

- **Salary** - The committee reviews salary levels for Board roles (other than the editor-in-chief of GNM, where pay decisions fall under the remit of the Scott Trust). The Committee also considers proposals for increases to base pay for anyone earning over £150k per annum, increases of 25% which result in a new salary of more than £50,000 per annum (for example as in the case of a promotion), as well as salary levels for new starters at executive committee level.
- **Benefits** - Benefits for Board roles principally include private medical cover.
- **Pensions** - Board roles participate in a money purchase pension scheme. Contributions to the pension scheme may be capped at the annual allowance limit (currently £10,000), with



any contributions due in excess of the annual allowance provided as a cash allowance. Participants in the pension plan may also receive life assurance cover.

### Remuneration for chair and independent directors

The chair and independent directors are paid a basic flat fee with further payments made for additional responsibilities such as chairing a committee. They do not participate in any of the Group's incentive plans or pension schemes.

Fees for the chair are set by the committee and fees for independent directors are set by the chair and the CEO of GMG. Fees were last reviewed in 2016/17 and fees have not been increased since April 2007.

### Setting pay levels

When setting pay levels the committee balances setting pay at a level which will recruit and retain senior staff, with the key principle of not paying more than necessary.

To help provide context for these decisions the committee considers both internal relativities compared to other employees and external benchmarking data for equivalent roles in other organisations. The committee considers a number of external reference points, including:

- General industry companies of a similar size to GMG.
- Media and Technology companies.
- Companies with similar values to GMG.

Benchmarking data is only used as a reference point, and the committee sets pay in the context of GMG and its values rather than mechanically setting salaries based on benchmarking data.

The Group has robust mechanisms in place to monitor the operation of its executive remuneration strategy, and the committee takes account of the remuneration of other groups of employees in making decisions on executive pay.

The differentials between the highest and median pay within GMG (GNM and GMG staff) are reviewed and monitored by the committee using Hutton's methodology of top to median earnings<sup>1</sup>. The multiple of the highest pay to median pay over recent years is summarised below:

2013/14	2014/15	2015/16	2016/17	2017/18
17.2	15.8	15.2	13.1	<b>12.6</b>
<b>Methodology note</b> This ratio compares the full-time equivalent, annualised, total remuneration of the highest paid director in role at the end of the relevant financial year, included in the directors' emoluments table on page [5], with the median full-time equivalent, annualised remuneration of GNM and GMG permanent UK staff in position at the end of the relevant financial year.				

The median remuneration figure is the total remuneration of the staff members lying in the middle of the linear distribution of total staff, excluding the highest paid director. Total remuneration includes base salary; performance related variable compensation and benefits in kind but excludes long term performance related compensation and employer pension contributions.

### Directors' emoluments

	Note	Base salary £000	Benefits £000	Pension contributions and allowances £000	<b>Total 2017/18</b> £000	Total 2016/17 £000
<b>Executive Directors</b>						
David Pemsel	1	600	4	102	706	706
Katharine Viner	2	340	1	31	372	372
Richard Kerr	3	400	2	32	434	522
<b>Independent Directors and Chair</b>						
Neil Berkett		120	-	-	120	120
Jennifer Duvalier		34	-	-	34	34
Yasmin Jetha (*from 1 February 2018)	4	6	-	-	6 (part year)	-
Nigel Morris		34	-	-	34	34
John Paton		34	-	-	34	34
Baroness Gail Rebuck	5	44	-	-	44	34
Coram Williams (*from 26 January 2017)	6	39	-	-	39	9 (part year)
<b>Former Directors</b>						
Nick Backhouse (*to 3 April 2017)		-	-	-	-	44
Ronan Dunne (*to 31 July 2016)		-	-	-	-	13 (part year)
Judy Gibbons (*to 30 November 2017)	7	25	-	-	25 (part year)	34

Jimmy Wales (*to 25 April 2017)	8	3	-	-	3 (part year)	34
		1,679	7	165	1,851	1,990

\*Date of appointment, resignation or other changes to directorships.

There was no increase in salary or fee for any director in the year. Two independent directors received additional fees for taking on additional duties as noted per items 5 and 6 below.

Benefits comprise solely healthcare and life and income protection. The latter is calculated as a percentage of base salary.

1. David Pemsel's base salary for the year was £600,000. David's company pension contributions were restricted to the annual tax-approvable limit of £10,000; the balance between 17% of base salary and the annual allowance was paid as cash in lieu of pension contributions and subject to PAYE. David does not receive any performance related variable compensation. David did not receive any increase in remuneration in the year.
2. Katharine Viner's base salary for the year was £340,000. Katharine's company pension contributions were 9% of base salary. Katharine does not receive any performance related variable compensation. Katharine did not receive any increase in remuneration in the year.
3. Richard Kerr was appointed as Chief Financial Officer of GMG on 12 April 2016. Richard's annualised base salary for the year was £400,000. Richard's company pension contributions were restricted to the annual tax-approvable limit of £10,000; the balance between 8% of base salary and the annual allowance was paid as cash in lieu of pension contributions and subject to PAYE. Richard does not receive any performance related variable compensation. Richard did not receive any increase in remuneration in the year.
4. Yasmin Jetha was appointed as an Independent Director on 1 February 2018. Her annualised remuneration is £34,000.
5. Baroness Gail Rebusk's remuneration included a fee for acting as Senior Independent Director from 3 April 2017.
6. Coram Williams was appointed as an Independent Director on 26 January 2017. His annualised remuneration was £34,000. Coram Williams's remuneration included an additional fee for chairing the audit committee from 3 April 2017.
7. Judy Gibbons stepped down as an Independent Director on 30 November 2017. Her annualised remuneration was £34,000.
8. Jimmy Wales stepped down as an Independent Director on 25 April 2017. His annualised remuneration was £34,000.

### Service contracts

In keeping with corporate governance guidelines and market practice, all executive directors have service contracts terminable on 12 months' notice by either party.

The chair has a letter of appointment which allows for three months' notice by the chair; no notice period needs to be given by the Company or, where appropriate, The Scott Trust Limited. Independent directors have letters of appointment that are terminable by immediate notice by either side. Terms and conditions of appointment of independent directors are available for inspection by any person at the Company's registered office during normal business hours.

Details of the service contracts of those directors in office on 1 April 2018 (being the year-end), or appointed subsequently, are as follows:

	<b>Contract / contract renewal date</b>	<b>Contract unexpired term at 1 April 2018</b>	<b>Notice period</b>	<b>Contractual termination payments</b>
<b><u>Executive Directors</u></b>				
David Pemsel	1 July 2015	12 months rolling	12 months	Notice Period
Katharine Viner	1 June 2015	12 months rolling	12 months	Notice Period
Richard Kerr	12 April 2016	12 months rolling	6 months	Notice Period
<b><u>Independent Directors and Chair</u></b>				
Neil Berkett	1 July 2016	1 year 3 months	By Chair, 3 months; by Company, none	None
Jennifer Duvalier	1 May 2017	2 years 1 month	-	None
Yasmin Jetha	1 February 2018	2 years 10 months	-	None
Nigel Morris	1 September 2015	5 months	-	None
John Paton	18 May 2016	1 year 1 month	-	None
Baroness Gail Rebeck	7 January 2016	9 months	-	None
Coram Williams	26 January 2017	1 year 10 months	-	None

## **Governance**

The remuneration & people committee is responsible for setting the Group's compensation framework and for determining the remuneration packages of the executive directors and key senior managers. The committee retains the right to scrutinise and, if necessary, veto proposals for individuals outside this group, and has oversight of talent and the overall employee experience for all staff. The editor-in-chief of GNM's pay is set by the Scott Trust.

The committee has met on 3 occasions in the last 12 months. The committee consists of three independent Board directors, Jenny Duvalier (the committee chair since 1 December 2017), Gail Rebeck and Yasmin Jetha. As chair of the Company, Neil Berkett normally attends the committee's meetings. In addition, on matters other than those concerning themselves, the chief executive and group HR director normally attend meetings. Deloitte LLP is retained as independent advisors to the committee and the committee has access to other professional advice where necessary.

### **Jennifer Duvalier**

Chair of the remuneration & people committee  
24 July 2018