



2017-18 Remuneration Committee report to Governing Body

The purpose of this report is to update Governing Body on the activity undertaken by Remuneration Committee. It is in line with the requirements in the Code set out by the Committee of University Chairs (CUC) which is the guidance the Office for Students (OfS) require us to comply with.

Terms of Reference, Membership and Meetings 2017/18

The terms of reference for the Committee in the year in question were:

To review and agree the salaries, terms and conditions, and severance payments if appropriate, of the Dean, staff who are appointed at a salary of £125,000 per annum or more and staff who receive an increase in salary that means they start to earn £125,000 per annum or more.

In exceptional circumstances to review and agree in-year salary increases for members of faculty following a proposal from the Dean.

Frequency of Meetings

The Committee meets annually or more frequently as needed.

The Remuneration Committee members were:

- Apurv Bagri – current Chair
- Ingrid Kwok
- Ian Hannam
- Bradley Fried
 - Replaced by Dame Lucy Neville-Rolfe following the January meeting due to Bradley moving to Finance Committee.
- The Dean stepped down from membership to this Committee in advance of the January meeting.

The quorum for Remuneration Committee is three non-Executive members.

There were 18 posts in scope in the academic year 2017-18 including the Dean.

The Committee met twice in the year, once in January 2018 and once in June 2018.

The January meeting was focussed on the decisions in relation to pay of those senior staff, including the Dean, as well as discussion on the CUC Consultation and other consultations that were taking place at that time.

The June meeting was focussed on items relating to pay for a number of senior staff and also an appointment salary.

Benchmarking

The School uses a combination of benchmarking sources to inform pay setting and review: the Korn Ferry Inner London All Organisations benchmarking data set for the majority of staff roles at the School,

including the majority of roles under Remuneration Committee remit; information and intelligence about major business schools; and data on the Higher Education market from surveys and published sources.

There is an acknowledgement that some roles are in a global market and in that case additional benchmarks are considered. The main source of these additional benchmarks is from the Association to Advance Collegiate Schools of Business (AACSB) and Korn Ferry and includes a competitor set made up of Wharton, Harvard, Michigan, Darden, UCLA, Georgia Tech and Haas.

Remuneration of the Dean 2017/18

Amount

The average pay for the year was £422k.

Additionally the Dean received a pension contribution from the School in line with the USS pension requirements which equates to £76k plus £3k of other benefits.

	2018	2017 (previous Dean)
	£'000	£'000
Salary	422	445
Benefits	3	3
Pension	76	10
	501	458

The Dean participates in a salary sacrifice arrangement for pension contributions. During the year, the salary sacrifice amount was £34,000 and this is included within the salary figure above. The previous Dean’s salary included an allowance for pension.

The Dean’s basic salary is 10.5 times (2017: 10.4 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Dean’s total remuneration is 12.8 times (2017: 13.5 times) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

NOTE: Pay ratio information does not include agency staff as FTE equivalent information is not readily available to the School for this employment type.

Rationale

In considering the remuneration for our Dean, we take into consideration the CUC Code and the point that *“remuneration must take into account the context in which the institution operates.”* The context for our institution and in particular for our Dean is a global one. We welcome students from all across the world and our student body is made up of 116 nationalities. Additionally we have 58 different nationalities amongst our non-faculty staff and 84% of our renowned faculty are international. We are in direct competition with the other premium Business Schools in the United States and where possible they are the ones we benchmark against when considering the Dean’s remuneration.

In reviewing the Dean’s salary, the Committee takes account of the performance of the School and the individual. At the pay review undertaken in January 2018, it was too early to measure achievement and

draw conclusions. The Chair of the Governing Body has now put in place a structured performance framework for assessing individual performance under five headings (strategy, financial performance, brand, stakeholder management and leadership). This draws on data and feedback and sits alongside key performance indicators for the School to provide material for the Dean's performance review.

Demographic Information

Including the Dean there were 18 individuals covered under Remuneration Committee review for the period covered.

This is split into 10 male and eight female employees.

When the Dean is included, the average male salary was 19% higher than the average female salary.

When the Dean is excluded, the average male salary was 1% higher in this group than the average female salary.

Outcome of the review of the Remuneration Committee

The findings from the review recommended a series of actions, five of which were to ensure compliance with the new regulatory landscape and five of which were additional to promote good practice.

As a result there are new terms of reference, a new policy for senior pay and a new policy on external appointments and these are set out below. The first meeting of 2018/19 was conducted in accordance with the CUC code.

Updated Terms of Reference of the Remuneration Committee

Remit

- a. To develop and review policy on the remuneration, benefits, terms and conditions of the Dean, staff members of the executive team and senior non-faculty members of staff on a salary of £125,000 a year or more.
- b. To determine remuneration and contract terms for those senior staff on appointment and to conduct an annual review of their remuneration taking account of the policy, the circumstances of London Business School, relevant market information and the need for fair and equal treatment.
- c. To approve any severance terms and ensure they are in accordance with legal advice, in line with the severance policy, practical and justifiable.
- d. To approve any external appointments and their remuneration by the organisation concerned, in accordance with the policy on such appointments.
- e. To inform the Governing Body of the Committee's policies and decisions and approve an annual report to be included in the Financial Statements.
- f. In process, decision-making and disclosure, to comply with guidance and requirements from the Committee of University Chairs and the Office for Students.
- g. To keep its own operation under review, to ensure the Committee is effective, including updating this Terms of Reference should legislation or governance require it.

Membership

1. Three independent members of the Governing Body, appointed based on their skills, experience and understanding of the subject; and the Chair of the Governing Body.
2. The Chair of the Committee will be chosen by the Governing Body from among these. The Chair of the Governing Body may not chair Remuneration Committee meetings when the remuneration of the Dean is under discussion.
3. The quorum is three in attendance.

New Remuneration Policy for Senior roles

This sets out the Remuneration Committee's policy on the remuneration of senior staff. This group is defined as the Dean, members of the Executive Team and other non-faculty staff whose salary is £125,000 or more.

The overall aim of remuneration for these roles is to enable the London Business School to recruit, retain and sustain the commitment of people with the skills and talent the School needs to maintain its reputation and performance and deliver the strategy.

The normal elements of remuneration are salary and pension. The Committee may award a one-off non-consolidated payment to recognise exceptional achievement, but there is no standard bonus or incentive arrangement.

The Committee will decide the parameters for the remuneration of new recruits to senior staff posts and will review their remuneration annually to ensure it remains appropriate, competitive and justifiable.

In determining pay on appointment, the Committee will take account of:

- The market rate in UK business schools and in the London labour market for jobs of comparable scale and type. Benchmarking information will be used and will be interpreted based on the scale, structure and ambition of the School. Benchmarking analysis and pay decisions will take account of total cash and total remuneration in the market as well as salary.
- Where it is relevant, the international market among top business schools and elsewhere. The designation of international market roles will be reviewed annually by the Committee. Where possible, international benchmarking and related decisions will take account of total cash and total remuneration in the market as well as salary.
- Factors which might lead to an adjustment of the market rate, including the track record of the individual.
- Internal relativities and fairness among senior roles in the School.
- Value for money.

In reviewing pay post-appointment, the Committee will take account of those same factors, plus:

- The performance of the School and of the individual. School performance will be measured against agreed performance indicators and individual performance will be judged through the performance management process.
- Retention and flight risk, where there is a clear and evidenced concern. This is an exceptional provision and any adjustments for retention purposes will need to be justifiable in relation to other policy provisions.

Other arrangements for senior staff will normally follow School policy.

This policy will be reviewed periodically to ensure it remains appropriate for the School and is aligned with sector guidance and regulatory requirements.

New policy on external appointments

The Dean and other members of senior staff need the approval of the Remuneration Committee to apply for and take up any paid appointments at organisations external to the University, for example as non-executive directors. This is a requirement for all such appointments whether the individual wishes to take or intends to waive the payment.

The process will be:

1. When the individual wishes to make an application for a paid external role, they should discuss the possibility first (in the case of the Dean with the Chair and in the case of other senior staff with the Dean), then make a case in writing. This should describe the role and the time commitment involved; the reasons why approval should be given; the remuneration and whether the intention is to take payment.

2. The Remuneration Committee will consider the application, make a decision and communicate the response.
3. If approval is given and the appointment is confirmed, the Remuneration Committee will be notified.
4. A note on any external appointments will then be included in all Committee papers about the performance and pay of the individual concerned.
5. The Remuneration Committee will receive a list of external appointments annually, including any appointments made before this policy came into force.

In making a decision about the appointment, the Remuneration Committee will take account of:

- The extent to which the appointment will develop the skills, understanding, capability and/or profile of the individual.
- The extent to which the appointment will promote the interests of the School and/or the sector.
- Whether there are any conflicts of interest.
- The time commitment involved and whether this can be managed alongside the core role.

Where appointments are seen to be beneficial and manageable according to these tests, the Committee will support applications and will normally accept that individuals should be paid for their time and effort.

Any remuneration received by the Dean for such appointments will be disclosed as part of the remuneration report in the annual financial statements of the University, along with the reasons why the Committee thought the appointment was justified.

Apurv Bagri

Chair of Remuneration Committee