

## Remuneration Committee – 2018-19 Annual Report

### 1. Introduction

- 1.1 In accordance with the requirements of the Higher Education Senior Staff Remuneration Code issued by the Committee of University Chairs (CUC), the Governance and Nominations Committee presents its annual report for the year ended 31 July 2019 to the Governing Body.

### 2. Overview

- 2.1 During the year ended 31 July 2019 the membership of the Governance and Nominations Committee comprised:
- The Hon Apurv Bagri (Chairman)
  - Ian Hannam
  - Ingrid Kwok
  - Baroness Lucy Neville-Rolfe
- 2.2 The Committee held two meetings during the course of the year in November 2018 and April 2019. The Chair of the Committee made an oral report to Governing Body following each meeting.
- 2.3 Tariq Ahmed, HR Director, was in attendance at both meetings and acted as Secretary to the Committee until his departure from the School in June 2019. Richard Frost, School Secretary, assumed the role of Secretary to the Committee from June 2019.
- 2.4 Following a review carried out by the Korn Ferry Hay Group in order to ensure compliance with the CUC Remuneration Code, the Committee adopted revised terms of reference at its meeting in November 2018. Both meetings of the Committee held in 2018-19 were conducted in accordance with the revised terms of reference. The revised terms of reference are attached at Appendix A.

### 3. Remuneration Policy for Senior Roles

- 3.1 At its meeting in November 2018 the Committee adopted a formal policy on remuneration for senior roles. The policy is attached at Appendix B.

### 4. Policy on External Appointments

- 4.1 At its meeting in November 2018 the Committee adopted a formal policy on external appointments. The policy is attached at Appendix C.

## 5. Remuneration of the Dean

The Dean's salary was raised to £431k with effect from 1 February 2019, an increase of 2% on his prior year salary. Additionally, the Dean received a pension contribution from the School in line with the USS pension requirements which equates to £80k, £3k of other benefits, and non-taxable benefits valued at £95k relating to his accommodation.

	2019	2018
	£'000	£'000
Salary	431	422
Benefits	3	3
Pension	80	76
	<hr/>	<hr/>
	514	501
Non-Taxable Benefits	95	95
	<hr/>	<hr/>
	609	596
	<hr/>	<hr/>

The Dean participates in a salary sacrifice arrangement for pension contributions. During the year, the salary sacrifice amount was £36k (2018: £34k) and this is included within the salary figure above.

In line with the previous Deans of the School, the current Dean is provided with accommodation within one of the School's buildings, as a non-taxable benefit, to enable better and more effectual performance of duties.

Due to the restrictive covenants of the building's lease and the requirement for the accommodation to be used for School business, it is not possible to rent out the accommodation and therefore there is no cost of lost opportunity to the School. Using the current rent of the campus would give rise to a value of £8,000 for the Dean's accommodation, which would be further reduced once the usage for School business is taken into account. The disclosed non-taxable benefit value of £95,000 is based on the average market rent for a similar sized property in the immediate area without the restrictions noted above. Operating costs associated with the residence (i.e. utilities and cleaning services) total £3,000 and this is included within the emoluments section

In considering the annual remuneration award to our Dean, we take into consideration the context in which London Business School operates and the performance of the institution and the Dean during the year.

The context for our institution and in particular for our Dean is a global one. 84% of our faculty are international and we have 58 different nationalities among our non-academic staff. Our degree programmes attract students from 116 nationalities, while our executive education business attracts over 10,000 participants each year and works with corporate clients from around the world. We are in direct competition with the other top global business schools based in the United States and Europe and these institutions form the benchmark for consideration of the Dean's remuneration.

The Dean's remuneration is set by the School's Remuneration Committee. A formal review of the Dean's performance during his first year of office assessed his performance against five criteria: Strategy, Financial Performance, Brand, Stakeholder Management and Leadership. During his first year, the Dean led the adoption of a new strategy for the School and the first phase of a brand relaunch. He reorganized the leadership team to bring a collective focus on advancing the School's new priorities and started to develop strong relationships with the School's student and alumni communities. The School met its financial and fundraising targets.

Taking into account the School's context, the performance of the institution and the Dean during the year, the pay of benchmark organisations, and internal annual pay awards, it was agreed that the Dean's salary should be increased by 2%. Pension contributions have increased in line with USS requirements for all eligible employees.

The Dean's basic salary is 10.4 times (2018: 10.3 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 12.6 times (2018: 12.5 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.

Pay ratio information includes agency staff. The information as reported in the 2017-18 Remuneration Committee annual report did not include this category of staff. The 2018 comparatives shown above have been amended to include all employment types.

## 6. Remuneration of Other Senior Roles

The Committee reviewed the remuneration of 16 individuals in addition to the Dean, comprising 4 male and 12 female employees.

When the Dean is included, the average male salary was 26% higher than the average female salary.

When the Dean is excluded, the average female salary was 11% higher in this group than the average male salary.

## 7. Other Business

During the course of the 2018-19 academic year the Committee received updates on the School's Gender Pay Gap and on the Universities Superannuation Scheme.

## APPENDIX A - REMUNERATION COMMITTEE – TERMS OF REFERENCE

### 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 organization 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.

### Frequency of Meetings

The Committee meets annually or more frequently as needed.

### Membership

- a. 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.
- b. 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.
- c. The quorum is three in attendance.

#### 2018-19 Membership

Chair of Governing Body	The Hon Apurv Bagri
3 Non-Executive Members	Dame Lucy Neville-Rolfe Mr. Ian Hannam Mrs. Ingrid Kwok
Secretary	* Mr. Tariq Ahmed

\*The Secretary is absented from the meeting when her/his position is discussed

## APPENDIX B - REMUNERATION POLICY FOR SENIOR ROLES

This document 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 recognize 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.

## APPENDIX C - 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