

Directors' remuneration report 2013

Governance

The executive remuneration policies of the Group are determined by its remuneration committee, which consists of the chair of the GMG Board and two independent Board directors. Judy Gibbons is chair of the committee.

The committee has met on three occasions in the last 12 months. The committee draws upon the range of experience of its members and advisers, including their working knowledge of remuneration structures, to discuss and review policies that support the delivery of the Group remuneration strategy, to determine the levels of remuneration for Group executives and to set and monitor performance targets that focus on long-term and sustainable growth.

Principles, policies, plans

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 operates very different businesses and compensation arrangements should be sufficiently flexible to reflect such differences while remaining within the guiding reward principles adopted by the committee.

- 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**
- The Group remuneration policies are structured to ensure that **a proportion of executive remuneration is variable** and dependent on the achievement of corporate and individual performance goals which are relevant, stretching and designed to promote the long-term success of the Group **and to incentivise a long-term strategic view of performance**
- 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 rewards. The differentials between the highest and median pay within GMG

(GNM and GMG Group staff) are reviewed and monitored by the committee using Hutton's methodology of top to median earnings. The current year multiple of highest pay to median pay is 13.7:1¹. For comparison, the ratio for 2011/12 was 14.7:1.

¹This ratio compares the full-time equivalent, annualised, total remuneration of the highest paid director, included in the directors' emoluments table on page 5, with the median full-time equivalent, annualised remuneration of GNM and Group permanent staff in position at 31 March 2013. 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 employer pension contributions. (Actual performance related variable compensation received in the year ended 1 April 2012 has been used to approximate the figure for performance in the year ended 31 March 2013.)

These principles are delivered through the following:

Element	Reason	Mechanics
Base pay	Base pay is set so as to be competitive at the median level in the external market.	The committee reviews salary proposals for increases to base pay for anyone earning over £120k per annum, increases of 25% and over, as well as salary levels for new starters at executive level.
Benefits	Benefits are offered to Executive Directors in recognition of market practice.	Executive directors are provided with a cash alternative, which is in lieu of a company car, and private medical cover. They participate in a money purchase pension scheme which also provides life assurance cover of seven times salary. The Group's contributions to these schemes are shown in the following table of directors' remuneration levels; the committee reviews these contributions.
Variable compensation plan	Any variable compensation payments are dependent on the levels of achievement against stretching, annual Group and business performance targets, with a proportion also paid against the delivery of supporting key personal objectives.	70% of any potential variable compensation is based on financial targets and 30% is based on personal objectives. The maximum award payable is 50% of base salary. No member of the Senior Executive Compensation Plan will be awarded a variable compensation payment against personal objectives unless financial targets are first achieved. The editor-in-chief, GNM, does not receive any performance-based compensation.

Long Term Incentive Plan (LTIP)	From time to time the Company offers LTIPs to senior executives which rewards performance over several years based on stretching financial measures.	LTIPs focus solely on measurable financial targets over which the executive has direct influence. Only maximum performance is rewarded at the maximum payout and the rules and financials of each plan are approved by the Remuneration Committee.
Benchmarking	The Group benchmarks itself against both a) a general industry group dataset containing companies of a similar size to GMG and b) media and technology sector companies.	Data is provided by PricewaterhouseCoopers who use their Executive Reward Survey which comprises comprehensive remuneration data from the 60 most senior roles in FTSE 100, FTSE 250 and equivalent-sized private companies.

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 require notice to be given by both the director and the Company. 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 directors are as follows:

	Contract / contract renewal date	Contract unexpired term at 31st March 2013	Notice Period	Contractual termination payments
Amelia Fawcett	22 nd April 2012	2 years	-	None
Andrew Miller	7 th September 2009	12 month rolling	12 months	Notice period (with mitigation clause)
Alan Rusbridger	20 th April 2007	12 month rolling	12 months	Notice Period
Darren Singer	4 th October 2010	12 month rolling	12 months	Notice period (with mitigation clause)
<u>Independent Directors</u>				
Nick Backhouse	3 rd April 2013	3 years	-	None
Neil Berkett	3 rd November 2012	2 years 7 months	-	None
Judy Gibbons	1 st December 2011	1 year 8 months	-	None
Brent Hoberman	1 st January 2013	2 years 9 months	-	None
Nigel Morris	1 st September 2012	2 years 5 months	-	None

Directors' emoluments

Proposed disclosure for year ended 31 March 2013

	Note	Base salary / fees	Performance related variable compensation	Benefits in kind	Employer's contribution to money purchase pension scheme	Total 2013	Total 2012
		£000	£000	£000	£000	£000	£000
Amelia Fawcett	1	100				100	120
Andrew Miller	2	613		1	54	668	739
Alan Rusbridger	3	395		21	75	491	607
Darren Singer (*from 18 April 2011)	4	342	98	1	52	493	459
Stuart Taylor (*to 30 June 2012)	5	97	710		17	824	498
Independent Directors							
Nick Backhouse	6	44				44	44
Neil Berkett		34				34	34
Simon Fox (*to 30 August 2012)	7	16				16	39
Judy Gibbons		34				34	34
Brent Hoberman		34				34	34
Nigel Morris(*from 30 June 2012)		20				20	-
Former Director							
Jerry Fowden (*to 13 April 2007)	8				11	11	11
		1,729	808	23	246	2,769	2,619
Compensation for loss of office	5					509	-
						3,278	2,619

*Date of appointment, resignation or other changes to directorships

1. Amelia Fawcett took a voluntary pay cut of 20% of her director's fees with effect from 2 April 2012.
2. Andrew Miller waived his entitlement to a variable compensation payment in 2013 for the third consecutive year (£486,000 total for the three years). With effect from 2 April 2012, Andrew also took a voluntary pay cut of 10% of his base salary. With effect from 2 April 2012, Andrew's company pension contributions were restricted to the annual tax-approvable limit of £50,000; the balance, between 30% of base salary and £50,000, was treated as salary and subject to PAYE; the balance is excluded from any variable compensation calculations.
3. Alan Rusbridger took a voluntary pay cut of 10% of his base salary with effect from 2 April 2012. He has also asked for the company to halve its contributions to his pension in 2012/13, to £75,000.

4. With effect from 2 April 2012, Darren Singer's company pension contributions were restricted to the annual tax-approvable limit of £50,000; the balance, between 30% of base salary and £50,000, was treated as salary and subject to PAYE; the balance is excluded from any variable compensation calculations.
5. Stuart Taylor resigned as managing director of GMG Radio and as a director of Guardian Media Group on 30 June 2012, following the sale of GMG Radio. Stuart received £710,000 as a transaction bonus on the sale of GMG Radio and £509,000 for loss of office. Both of these payments were contractual obligations. The level of the transaction bonus was directly linked to the actual sale price achieved.
6. Nick Backhouse's remuneration includes a fee for acting as a senior independent director.
7. Simon Fox's remuneration includes a fee for chairing the audit committee to August 2012.
8. Jerry Fowden stepped down as Chief Executive of Trader Media Group and resigned as a director of Guardian Media Group on 13 April 2007. £10,631 was credited to his EFRBS (Employer Financial Retirement Benefit Scheme) account with the Company in the year ended 31 March 2013.

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. Although fees were reviewed in 2012, the level of fees has not been increased since April 2007. There will next be a review in 2013. The Remuneration for chair and independent directors has been reviewed already in 2013 with no increase given. The next review will be in 2014.

Judy Gibbons

Chair of the remuneration committee

26 June 2013