Directors' remuneration report 2014

Remuneration committee chair's statement

The following pages set out GMG's Directors' remuneration report for the year ended 30 March 2014. The report includes:

- The governance of executive remuneration at GMG
- The guiding reward principles adopted by the committee
- The elements of remuneration
- Details of service contracts
- The total pay to each of GMG's directors in the year.

2014 has been a very successful year for GMG. The group reduced underlying losses and made good strategic, operational and financial progress. Notably, we also completed the disposal of our stake in Trader Media in February 2014, which delivered £619m cash proceeds for the group.

The committee considered various matters during the year, and the key areas are set out below.

The CEO and the Editor-In-Chief of GNM both took a voluntary 10% cut in their salaries for the 2012/13 financial year. Following that year, and in light of the improved financial performance of the group, the committee reinstated the previous salary level for the CEO effective from April 2013. The Editor-In-Chief's voluntary 10% cut remained in place for the 2013/14 financial year.

During the year, for all directors, salary increases of 3% were approved, effective 1 October 2013, in line with other increases for GMG and GNM group staff. Previous to that, directors' salaries had been frozen for two years.

Performance related variable compensation was awarded to directors reflecting the achievement of demanding financial and personal objectives. The CEO has opted to defer the whole of his bonus for 2013/14 for a period of one year. He waived 50% of his bonus for 2012/13 and waived his entire bonus for the three prior years (2011/12, 2010/11 and 2009/10).

The CEO and CFO received long-term performance related payments of £1,410,000 and £353,000 in relation to their contribution in generating long term value in Trader Media which was sold in the financial year and is fundamental in ensuring the Guardian's future. These amounts reflect the value that was generated in these assets over many years and was calculated based on the sale price achieved against targets agreed by the Remuneration Committee. In the case of the CEO the level of payment reflects his contribution over 12 years as an executive director and non-executive director. He received no other long term incentive payment for TMG during that time.

The Editor-In-Chief does not receive performance related variable compensation or long-term performance related payments.

We intend to undertake a review of director remuneration during this year to ensure that our approach continues to support GMG's strategy and the ongoing evolution and transformation of the business.

Finally, I am pleased to report that during the year we established the Remuneration Committee Information and Consultation Forum. This is a body made up of elected representatives from GNM employees which has the opportunity to input and influence remuneration committee agenda matters. This is an innovative and progressive development, reflecting our commitment to employee engagement and transparency. We believe the forum will provide a valuable additional perspective for the committee.

Judy Gibbons
Chair of the remuneration committee
2 July 2014

Governance

The executive remuneration policies of the Group are determined by its remuneration committee, which consists of the chair of the GMG Board and three 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 17.2:1[1]. For comparison, the ratios for 2012/13 and 2011/12 were 13.7:1 and 14.7:1 respectively.

[1]This 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 30 March 2014. 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 31 March 2013 has been used to approximate the figure for performance in the year ended 30 March 2014.)

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 reward performance over several years based on stretching financial measures.	LTIPs focus solely on measurable financial targets over which the executive has direct influence. Payout is achievable once the targets are met, with the maximum payout only rewarded for exceeding stretch targets. The rules and financials of each plan and any payment are approved by the Remuneration Committee. LTIPs include incentive payments which reward for the long-term financial success of investments whose purpose is to provide financial support for the development of our journalism. These payments are made following successful transactions and payments are directly linked to the actual sale price achieved compared to targets agreed 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. The data is used within the context of our stated remuneration principles.

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 directors are as follows:

	Contract / contract renewal date	**Contract unexpired term at 30th March 2014**	**Notice period**	**Contractual termination payments**
Neil Berkett	25th September 2013	2 years 6 months	By Chair, 3 months; by Company, none	None
Andrew Miller	7th September 2009	12 months rolling	12 months	Notice period (with mitigation clause)
Alan Rusbridger	20th April 2007	12 months rolling	12 months	Notice period
Darren Singer	4th October 2010	12 months rolling	12 months	Notice period (with mitigation clause)
Independent Directors				
Nick Backhouse	3rd April 2013	2 years	-	None
Ronan Dunne	14th May 2013	2 years 1 month	-	None
Judy Gibbons	1st December 2011	8 months	-	None
Brent Hoberman	1st January 2013	1 year 9 months	-	None
Nigel Morris	1st September 2012	1 year 5 months	-	None
John Paton	14th May 2013	2 years 1 month	-	None
Jennifer Duvalier	1st May 2013	3 years	-	None

Directors' emoluments

	Note	Base salary / fees / cash allowance £000	Performance related variable compensation £000	Long term performance related compensation £000	Benefits in kind £000	Employer's contribution to money purchase pension scheme £000	Total 2014 £000	Total 2013 £000
Amelia Fawcett	1	60					**60**	100
Neil Berkett	2	98					**98**	34
Andrew Miller	3	696		1,410	1	53	**2,160**	769
Alan Rusbridger	4	395			21	75	**491**	491
Darren Singer	5	347	114	353	1	52	**867**	493
Stuart Taylor (*to 30 June 2012)	6						**-**	824
Independent Directors								
Nick Backhouse	7	44					**44**	44
Simon Fox (*to 30 August 2012)							**-**	16
Judy Gibbons		34					**34**	34
Brent Hoberman		34					**34**	34
Nigel Morris (*from 30 June 2012)		34					**34**	20
Ronan Dunne (*from 1 May 2013)	8	36					**36**	-
John Paton (*from 1 May 2013)		31					**31**	-
Former Director								
Jerry Fowden (*to 13 April 2007)	9					11	**11**	11
		1,809	114	1,763	23	191	**3,900**	2,870
Compensation for loss of office	6						**-**	509
							3,900	3,379

***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. This reversed with effect from 1 April 2013. Amelia resigned as Chair on 24 September 2013.
2. Neil Berkett was appointed as Chair on 24 September 2013. Neil was originally appointed to the Board as an independent director in November 2009.
3. Andrew Miller received £1,410,000 as long term performance related compensation in relation to the sale of GMG's share of Trader Media Group to joint venture partners Apax. The payment reflected the value created in the 10 years that Andrew was at Trader Media Group, latterly as CFO, and subsequently as a non-executive director. The payment was calculated in accordance with a contractual agreement and was directly linked to the actual sale price achieved. Andrew opted to defer payment of his annual variable compensation for 2013/14 of £226,000 for a period of one year. In 2012/13 Andrew was awarded a bonus of £202,000 but elected to waive 50% of this amount. This was in addition to bonuses waived in full in the prior three years. The total of bonuses waived over the last four years is £457,000. With effect from 2 April 2012, Andrew also took a voluntary pay cut of 10% of his base salary. This reversed with effect from 1 April 2013. Andrew's annualised base salary for the year was £558,000. 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 paid as a salary supplement and was subject to PAYE; the balance is excluded from any variable compensation calculations.
4. Alan Rusbridger took a voluntary pay cut of 10% of his base salary with effect from 2 April 2012. This remained in place in 2013/14. He also asked for the company to halve its contributions to his pension in 2013/14 and 2012/13, to £75,000.
5. Darren Singer received £353,000 as long term performance related compensation in relation to the sale of GMG's share of Trader Media Group, of which he has been a non-executive director since 2011, to joint venture partners Apax. The payment was calculated in accordance with a contractual agreement and was directly linked to the actual sale price achieved. Darren's annualised base salary for the year was £294,000. With effect from 2 April 2012, Darren'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.
6. 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. In 2012/13 Stuart received £710,000 as a as a performance based transaction payment in relation to the sale of GMG Radio. The payment was calculated in accordance with a contractual agreement and was directly linked to the actual sale price achieved. Stuart also received £509,000 compensation for loss of office. This payment was a contractual obligation.
7. Nick Backhouse's remuneration includes a fee for acting as senior independent director.
8. Ronan Dunne's remuneration includes a fee for chairing the audit committee from August 2013.
9. Jerry Fowden stepped down as chief executive of Trader Media Group and resigned as a director of Guardian Media Group on 13 April 2007. £10,924 was credited to Jerry Fowden's EFRBS (Employer Financial Retirement Benefit Scheme) account with the Company in the year ended 30 March 2014.

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 2013, the level of fees has not been increased since April 2007. The next review will be in 2015.

Judy Gibbons
Chair of the remuneration committee
2 July 2014