

Directors' remuneration report 2015

Remuneration committee chair's statement

The following pages set out GMG's Directors' remuneration report for the year ended 29 March 2015. 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.

Remuneration matters for the year

2015 has been another successful year for GMG. The group reported a third consecutive year of revenue growth and sharply increased digital revenues. Group losses from continuing operations narrowed and investment fund growth almost completely offset the cash outflow to fund the group's operating activities.

During the year, for all directors, no salary increases were awarded as part of the annual salary review cycle.

Andrew Miller resigned as CEO on 28 January 2015 and left the company on 30 June 2015. Following his departure he will be paid £430,000 in respect of a contractual entitlement to salary and benefits for the outstanding seven months of his notice period. He was not awarded a bonus for this financial year but he received the bonus he had opted to defer last year in respect of 2013/14 performance.

Performance related variable compensation was awarded to Darren Singer reflecting the achievement of demanding financial and personal objectives.

Alan Rusbridger resigned as editor-in-chief of GNM on 9 December 2014 and left the company on 1 June 2015. Following his departure he received £274,000 as payment in respect of a contractual entitlement to salary and benefits for the outstanding six months of his remaining notice period.

Remuneration review

As reported last year, the committee began a review of executive director remuneration.

The committee is considering carefully the way in which executive remuneration at GMG can be structured to ensure it supports the unique values of the organisation, as well as the on-going evolution and transformation of the business.

As part of the review we undertook a series of focus group meetings with employees from different parts of the GMG business. These provided very helpful insights, and the committee would like to thank those involved.

We expect the review process to be finalised during 2015/16.

On-going engagement

The Remuneration Committee Information and Consultation Forum was established in 2013. The forum is a body made up of elected representations 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. The forum has provided the committee with a valuable perspective during the year, and will be continued in 2015/16.

New appointments

Katharine Viner has been appointed as editor-in-chief of GNM, having previously been editor-in-chief of Guardian US. Her salary will be £340,000. The editor-in-chief does not receive performance related variable compensation or long-term performance related payments.

David Pemsel has been appointed as CEO of GMG, having previously been deputy CEO of GNM. His salary will be £600,000. The CEO will also not receive any performance related variable compensation or long-term performance related payments. David has also given up a long-term incentive award which he had received in his previous role. The feedback we received from the organisation during the remuneration review informed the new structure of the CEO's remuneration package. This represents a significant change in our approach to compensation which reflects the unique values of the Guardian.

Judy Gibbons

Chair of the remuneration committee
1 July 2015

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 four 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 currently 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 15.8:1. For comparison, the ratios for 2013/14, 2012/13 and 2011/12 were 17.2:1, 13.7:1 and 14.7:1 respectively.

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 29 March 2015. 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. (Performance related variable compensation received in the year ended 30 March 2014 has been used as an approximation to performance related compensation awarded for performance in the year ended 29 March 2015).

These principles are delivered through the following:

Element	Reason	Mechanics
Base pay	Base pay is set so as to be competitive 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.	<p>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.</p> <p>The editor-in-chief, GNM, does not receive any performance-based compensation.</p>
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.	<p>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.</p> <p>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.</p>
Benchmarking	The Group takes into consideration benchmarking data when setting remuneration levels for the executive directors.	<p>The Group considers benchmarking data for executive directors against a number of comparator groups, including:</p> <ul style="list-style-type: none"> • General industry - companies of a similar size to GMG. • Media and Technology sector companies. • Companies with similar 'values' to GMG. <p>The data is used within the context of our stated remuneration principles.</p>

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 29th March 2015	Notice period	Contractual termination payments
Neil Berkett	25 th September 2013	1 year 6 months	By Chair, 3 months; by Company, none	None
Andrew Miller	7 th September 2009	12 months rolling	12 months	Notice period
Alan Rusbridger	20 th April 2007	12 months rolling	12 months	Notice period
Darren Singer	4 th October 2010	12 months rolling	12 months	Notice period
<u>Independent Directors</u>				
Nick Backhouse	3 rd April 2013	1 year	-	None
Ronan Dunne	14 th May 2013	1 year 1 month	-	None
Judy Gibbons	1 st December 2014	2 years 8 months	-	None
Brent Hoberman	1 st January 2013	9 months	-	None
Nigel Morris	1 st September 2012	5 months	-	None
John Paton	14 th May 2013	1 year 1 month	-	None
Jennifer Duvalier	1 st May 2014	2 years	-	None

Directors' emoluments

	Note	Base salary / fees / cash allowance	Performance related variable compensation	Benefits in kind	Employer's contribution to money purchase pension scheme	Total 2015	Total 2014
		£000	£000	£000	£000	£000	£000
Neil Berkett (*from 24 September 2013)	1	120	-	-	-	120	98
Andrew Miller	2	728	226	1	-	955	2,160
Alan Rusbridger	3	395	-	22	75	492	491
Darren Singer	4	363	96	1	44	504	867
Independent Directors							
Nick Backhouse	5	44	-	-	-	44	44
Ronan Dunne (*from 1 May 2013)	6	39	-	-	-	39	36
Judy Gibbons		34	-	-	-	34	34
Brent Hoberman		34	-	-	-	34	34
Nigel Morris		34	-	-	-	34	34
John Paton (*from 1 May 2013)		34	-	-	-	34	31
Jennifer Duvalier (*from 1 May 2014)	7	31	-	-	-	31	-
Former Directors							
Amelia Fawcett (*to 24 September 2013)	8	-	-	-	-	-	60
Jerry Fowden (*to 13 April 2007)	9	-	-	-	11	11	11
		1,856	322	24	130	2,332	3,900
Compensation for loss of office	2,3					704	-
						3,036	3,900

*Date of appointment, resignation or other changes to directorships

- Neil Berkett was appointed as Chair on 24 September 2013. Neil was originally appointed to the Board as an independent director in November 2009.
- Andrew Miller's annualised base salary for the year was £567,000. In 2014/15 Andrew's company pension contributions were nil (2012/13 to 2013/14 restricted to the annual tax-approvable limit of £50,000); the balance, between 25% (2012/13 to 2013/14 30%) of base salary and nil was paid as a salary supplement and was subject to PAYE. This amount is excluded from any variable compensation calculations. Andrew opted to defer payment his annual variable compensation for 2013/14 of £226,000 for a period of one year. This was paid in 2014/15. Andrew tendered his resignation as Chief Executive Officer of GMG on 28 January 2015 and formally stepped down on 30 June 2015. Andrew received £430,000 as payment in respect of contractual entitlement in relation to notice period. This payment was made in 2015/16. As reported last year, in 2013/14 Andrew received £1,410,000 as long term performance related compensation in relation to the sale of GMG's share of Trader Media Group. The payment reflected the value created over 10 years, and was calculated in accordance with a contractual agreement, with the payment directly linked to the actual sale price achieved.
- 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 and 2014/15. He also asked for the company to halve its contributions to his pension for 2012/13, 2013/14 and 2014/15 to £75,000. Alan tendered his resignation as editor-in-chief, GNM on 9 December 2014 and formally stepped down on 1 June 2015. Alan received £274,000 as payment in respect of contractual entitlement in relation to notice period. This payment was made in 2015/16.
- Darren Singer's annualised base salary for the year was £299,000. With effect from 2 April 2012, Darren's company pension contributions were restricted to the annual tax-approvable limit of £40,000 (2012/13 to 2013/14 £50,000); the balance between 30% of base salary and £40,000 was paid as a salary supplement and was subject to PAYE. This amount is excluded from any variable compensation calculations. As reported last year, in 2013/14 Darren received £353,000 as long term performance related compensation in relation to the sale of GMG's share of Trader Media Group. The payment was calculated in accordance with a contractual agreement, with the payment directly linked to the actual sale price achieved.
- Nick Backhouse's remuneration includes a fee for acting as senior independent director.
- Ronan Dunne's remuneration includes a fee for chairing the audit committee from August 2013.
- Jennifer Duvalier joined the board on 1 May 2014.
- Amelia Fawcett resigned as Chair on 24 September 2013.
- 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 29 March 2015.

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 during the 2015/16 financial year.

Judy Gibbons

Chair of the remuneration committee
1 July 2015