

Directors' remuneration report 2016

Remuneration committee chair's statement

The following pages set out GMG's Directors' remuneration report for the year ended 3 April 2016.

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

Employee engagement

The Remuneration Committee Information and Consultation Forum was established in 2013. The forum is a body made up of elected representatives from GNM employees which has the opportunity to input and influence remuneration committee agenda matters. This approach reflects 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 2016/17.

Board departures

There have been some significant changes to the GMG board during the year. Alan Rusbridger and Andrew Miller stepped down from the GMG board and Darren Singer resigned as CFO on 22 June 2015, formally stepping down on 23 October 2015. The remuneration terms in respect of these departures are detailed on page 5.

Remuneration matters for the year

2016 has been a challenging year for GMG. In January a three-year plan to address the balance of costs and revenues was unveiled, focusing on new revenue streams, building a far deeper set of relationships with our audience, and targeting a 20% overall reduction in our current cost base. The aim of the plan is to break even at an operating level by 2018/19. When considering remuneration for board roles, the Committee has been mindful of this wider context and the challenges being faced by GNM and GMG staff at this time.

No executive directors received salary increases or bonus awards for the year. We also removed car allowances for executive directors as part of a move to align benefits across the organisation. The CEO of GMG, David Pemsel, and the Editor-in-Chief of GNM, Katharine Viner are paid in the form of base salary, benefits and pension contributions only. They do not receive any bonus payments such as performance related variable compensation or long-term performance related payments. This remuneration structure was informed by the feedback we received from the Remuneration Consultation Forum and staff and reflects the unique values of the Guardian.

New CFO appointed

In December 2015 we announced the appointment of Richard Kerr as CFO of GMG effective 12 April 2016. He is paid a base salary of £400,000. To facilitate his appointment it was necessary to 'buy-out' some variable remuneration foregone from his previous employer. In accordance with our new approach for Board roles, the CFO will not participate in any bonus schemes.

Judy Gibbons

Chair of the remuneration committee

29 June 2016

Governance

The executive remuneration policies of the Group are determined by its remuneration committee, which consists of 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.

Compensation arrangements should be sufficiently flexible to reflect such differences while remaining within the guiding reward principles adopted by the committee. The principles adopted for the year ended 3 April 2016 were as follows.

- 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 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 pay. The differentials between the highest and median pay within GMG (GNM and GMG 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 15.2:1.¹ For comparison, the ratios for 2014/15 and 2013/14 were 15.8:1 and 17.2:1 respectively.

¹This ratio compares the full-time equivalent, annualised, total remuneration of the highest paid director in role at 3 April 2016, included in the directors' emoluments table on page 5, with the median full-time equivalent, annualised remuneration of GNM and GMG permanent UK staff in position at 3 April 2016. 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 3 April 2016, for performance in the year ended 29 March 2015, has been used as an approximation to performance related variable compensation awarded for performance in the year ended 3 April 2016).

These principles are currently 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, (for example as in the case of a promotion) as well as salary levels for new starters at executive level.
Benefits and pension	Benefits are offered to Executive Directors in recognition of market practice.	Executive directors receive 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.

Board roles do not participate in any performance based incentives or bonuses. This represents a significant change to our approach to remuneration and reflects the unique values of the Guardian. The new approach was developed following a review of our reward principles and took into account feedback from the Remuneration Consultation Forum and staff.

The Committee takes into consideration benchmarking data when setting remuneration levels for the executive directors. The Committee considers benchmarking data of a number of comparator groups, including:

- General industry - companies of a similar size to GMG.
- Media and Technology sector companies.
- Companies with similar 'values' to GMG.

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 those directors in office on 3 April 2016 (being the year-end), or appointed subsequently, are as follows:

	Contract / contract renewal date	Contract unexpired term at 29th June 2016	Notice period	Contractual termination payments
Neil Berkett	18 May 2016	3 years	By Chair, 3 months; by Company, none	None
David Pemsel	1 July 2015	12 months rolling	12 months	Notice Period
Katharine Viner	1 June 2015	12 months rolling	12 months	Notice Period
Richard Kerr	12 April 2016	12 months rolling	6 months	Notice Period
<u>Independent Directors</u>				
Nick Backhouse	3 February 2016	9 months	-	None
Ronan Dunne	18 May 2016	2 years 11 months	-	None
Jennifer Duvalier	1 May 2014	10 months	-	None
Judy Gibbons	1 December 2014	1 year 5 months	-	None
Nigel Morris	1 September 2015	2 years 2 months	-	None
John Paton	18 May 2016	2 years 11 months	-	None
Baroness Gail Rebusk	7 January 2016	2 years 7 months	-	None
Jimmy Wales	7 January 2016	2 years 7 months	-	None

Directors' emoluments

	Note	Base salary/ fees/cash allowance £000	Contractual entitlement to notice period £000	Benefits in kind £000	Employer's contribution to money purchase pension scheme £000	Total 2016 £000	Total 2015 £000
Neil Berkett		120	-	-	-	120	120
Andrew Miller (*to 30 June 2015)	1	210	430	-	-	640	955
David Pemsel (*from 1 July 2015)	2	487	-	-	42	529	-
Alan Rusbridger (*to 1 June 2015)	3	76	230	15	75	397	492
Katharine Viner (*from 1 June 2015)	4	283	-	-	24	308	-
Darren Singer (*to 23 October 2015)	5	212	-	-	25	237	504
Independent Directors							
Nick Backhouse	6	44	-	-	-	44	44
Ronan Dunne	7	39	-	-	-	39	39
Judy Gibbons		34	-	-	-	34	34
Nigel Morris		34	-	-	-	34	34
John Paton		34	-	-	-	34	34
Jennifer Duvalier (*from 21 May 2014)		34	-	-	-	34	31
Brent Hoberman (*to 5 November 2015)		28	-	-	-	28	34
Baroness Gail Rebuck (*from 27 January 2016)		6	-	-	-	6	-
Jimmy Wales (*from 27 January 2016)		6	-	-	-	6	-
Former Directors							
Jerry Fowden (*to 13 April 2007)	8	-	-	-	11	11	11
		1,648	660	15	177	2,502	2,332

*Date of appointment, resignation or other changes to directorships

1. Andrew Miller's annualised base salary for the year was £567,000. In 2015/16 Andrew's company pension contributions were nil (2014/15 nil); the difference between 25% of base salary and nil was paid as a salary supplement and was subject to PAYE. 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 his remaining notice period. This payment was made in 2015/16.
2. David Pemsel was appointed as Chief Executive Officer of GMG on 1 July 2015. David's annualised base salary for the year was £600,000. David's company pension contributions were restricted to the annual tax-approvable limit of £40,000; the balance between 17% of base salary and £40,000 was paid as a salary supplement and was subject to PAYE. David does not receive any performance related variable compensation or long-term performance related payments.
3. Alan Rusbridger's annualised base salary for the year was £395,000. He asked for the company to halve its contributions to his pension from 2012/13 until 2015/16 to £75,000. Alan tendered his resignation as editor-in-chief of 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 his remaining notice period, £44,000 of which was paid into his pension. These payments were made in 2015/16.
4. Katharine Viner was appointed as editor-in-chief of GNM on 1 June 2015. Katharine's annualised base salary for the year was £340,000. Katharine's company pension contributions were 9% of base salary. Katharine does not receive any performance related variable compensation or long-term performance related payments.
5. Darren Singer's annualised base salary for the year was £299,000. Darren's company pension contributions were £23,000 (2014/15 £40,000); the balance between 30% of base salary and £23,000 was paid as a salary supplement and was subject to PAYE. Darren tendered his resignation on 22 June 2015 and formally stepped down on 23 October 2015. He did not receive any additional payments in relation to his remaining notice period.
6. Nick Backhouse's remuneration includes a fee for acting as senior independent director.
7. Ronan Dunne's remuneration includes a fee for chairing the audit committee.
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. Interest of £11,288 was credited to Jerry Fowden's EFRBS (Employer Financial Retirement Benefit Scheme) account with the Company in the year ended 3 April 2016.

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 2016/17 financial year.

Judy Gibbons

Chair of the remuneration committee

29 June 2016