



## **Directors' remuneration report 2020**

The following pages set out GMG's Directors' remuneration report for the year ended 29 March 2020. The report includes:

- Remuneration & people committee chair's statement
- The guiding reward principles adopted by the committee and the elements of remuneration
- Details of how the committee sets pay levels
- The total pay to each of GMG's directors in the year
- Details of service contracts
- The governance of executive remuneration at GMG

### **Remuneration & people committee chair's statement**

As Chair of the remuneration & people committee, I am very aware of the need for the committee to take an approach to remuneration and talent matters that is grounded in the unique values of the Guardian and its people, as well as supporting the Scott Trust's purpose of securing independent journalism in perpetuity.

The committee is also very aware that pay, and particularly executive pay, can be an emotive subject at the Guardian because of the distinctive values of the organisation. As a committee we regularly debate and challenge ourselves on this topic and seek regular input from our employees on this subject. The Remuneration Committee Information and Consultation Forum ("the RCICF") is a body made up of elected representatives from GNM employees which has the opportunity to input and influence remuneration committee agenda matters. It continues to be a valuable source of perspective and challenge for the committee and I would like to thank the representatives for their time and thoughtful input over the year.

#### *Remuneration matters for the year*

During 2019/20 the committee continued to operate the fixed pay model that has been in place since 2015/16. Under this approach our executive directors do not receive any bonus payments of any kind. Their pay is wholly made up of salary, pension contributions/allowances and benefits.

This has been a year of change for our management team.

In March 2020 Annette Thomas joined the Guardian as chief executive. Her salary was set at the same level as her predecessor. To better align with the Guardian's pay principles and best practice, her pension arrangements were aligned with the contribution rates that apply to all employees.

The Board and David Pemsel agreed that he would leave the Guardian on 2 December 2019 and a payment of three months' notice was made, in line with contractual obligations. No discretionary exit payments were made to David.

Richard Kerr left on 27 March 2020 and he did not receive any discretionary exit payments.

### *Covid-19*

Following the end of the year GMG has had to make some difficult decisions in response to falling revenues because of the Covid-19 pandemic. As part of a number of measures implemented to reduce costs, members of our executive team, including Annette Thomas and Katharine Viner, agreed to a voluntary reduction of 20% of their salaries. In addition the independent directors of the Board agreed to a voluntary reduction of 30% to their remuneration. The voluntary reduction will apply from 1 May 2020 to 30 October 2020, and will be shown in next year's report.

### *Pay principles*

During the year the committee has overseen the development of the Guardian's employee pay principles. These have been informed by the views of staff with input from the RCICF, employee working groups and a staff survey. A wide range of stakeholders, including the committee, have also provided input and guidance. The intention of these principles is to provide a consistent point of reference to support managers and employees around pay decisions. This should help to encourage pay that is fair, understood and valued by our people. The committee will continue to review how these principles have been implemented.

### *Gender pay gap and ethnicity pay gap reporting*

The committee fully supports all efforts to ensure our workforce is diverse, inclusive and reflects the society the Guardian serves. Following the publication of GNM's third set of gender pay gap results in July 2019, the committee has provided input and oversight as the company published its first ethnicity pay gap report in December 2019.

The results were based on the composition of the workforce on 5 October 2019 and the full report can be found [here](#). The median ethnicity pay gap of 14.9% highlights the structural imbalance within the organisation and the fact that a high proportion of our BAME employees are in lower paid roles. This issue can, in part, be attributed to a lack of BAME representation in the UK media industry generally. However we believe this gap is unsatisfactory and the Guardian has put in place a number of initiatives to close GNM's ethnicity pay gap, and to make it a more diverse and inclusive organization. We will continue to monitor and support these initiatives over the coming years.

In future years GNM will publish a combined gender pay gap and ethnicity pay gap report. The first combined report will reflect the 2020 results and this will be available later in 2020, slightly later than originally planned due to the current situation with Covid-19 and the resultant practical constraints.

The committee continues to discuss the gender pay and ethnicity pay gap results across the organisation, to further understand the reasons for the gap and, perhaps most importantly, to provide input on the action plans for the future.

## **Jennifer Duvalier**

Chair of the remuneration & people committee

6th July 2020

## Principles and policies

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's pay 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 29 March 2020 remain 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**

## Pay structure

Our principles are delivered through a simple pay structure based on fixed pay only, made up of base salary, benefits and pension.

Board roles do not participate in any performance based incentives or bonuses. This approach reflects the unique values of the Guardian. This structure was introduced following a review of our reward principles in 2015/16, taking into account feedback from the RCICF and staff. The structure was reaffirmed in 2018/19 following another review, again taking into account the views of the RCICF and staff.

- **Salary** - The committee reviews salary levels for Board roles (other than the Editor-in-Chief of GNM, for whom pay decisions fall under the remit of the Scott Trust). The committee also considers proposals for increases to base pay for anyone earning over £150,000 per annum, increases of 25% or more which result in a new salary of more than £50,000 per annum (for example as in the case of a promotion), as well as salary levels for new starters at executive committee level.
- **Benefits** - Benefits for Board roles principally include private medical cover.
- **Pensions** - Board roles participate in a money purchase pension scheme. Contributions to the pension scheme may be capped at the HMRC annual allowance limit (currently £10,000), with any contributions due in excess of the annual allowance provided as a cash allowance subject to the usual deductions for income tax and national insurance. As members of the pension scheme, death in service benefits are also provided. Pension arrangements for senior executives will be aligned with the rate available for the majority of employees, with the exception of contractual arrangements with current incumbents, which will continue to be honoured.

## Setting pay levels

When setting pay levels the committee balances setting pay at a level which will recruit and retain senior staff, with the key principle of not paying more than necessary.

To help provide context for these decisions the committee considers both internal relativities compared to other employees and external benchmarking data for equivalent roles in other organisations. The committee considers a number of external reference points, including:

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

Benchmarking data is only used as a reference point, and the committee sets pay in the context of GMG and its values rather than mechanically setting salaries based on benchmarking data.

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.

## 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 receive any other form of pay.

Fees for the chair are set by the committee and fees for independent directors are set by the chair and the CEO of GMG. Fees were last reviewed in 2016/17 and fees have not been increased since April 2007.

## Pay ratio reporting

The Guardian has published its CEO pay ratio for a number of years. Since 2018/19 the ratio has been disclosed based on legislation that applies to UK listed companies with more than 250 UK employees. Although this legislation does not apply to GMG as a private company, the committee considers it is important to continue to take a lead in this area by disclosing ratios based on this methodology for all executive directors, not just the CEO.

### 2019/20

The CEO single total figure of remuneration used for the purposes of the pay ratio reflects a blended sum of the pay for David Pemsel and Annette Thomas based on their service during the period 2019/20.

	25 <sup>th</sup> percentile employee	Median employee	75 <sup>th</sup> percentile employee
CEO pay ratio	15.1	11.3	8.5
Editor-in-Chief pay ratio	8.5	6.3	4.8
CFO pay ratio	10.0	7.5	5.6

The 25<sup>th</sup> percentile, median and 75<sup>th</sup> percentile employees were identified based on full-time equivalent salary data as at 29 March 2020. Pay details for the individuals on a full-time equivalent basis are set out below:

	CEO	Editor-in-Chief	CFO	25 <sup>th</sup> percentile employee	Median employee	75 <sup>th</sup> percentile employee
Salary	£630,000	£357,000	£420,000	£41,000	£55,090	£72,230
Total pay	£693,921	£390,051	£458,950	£45,901	£61,479	£81,599

### CEO pay ratio over recent years

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Hutton methodology	17.2	15.8	15.2	13.1	12.6	12.4	-
Current methodology	-	-	-	-	-	11.6	<b>11.3</b>

Prior to 2018/19, the CEO pay ratio was calculated based on Hutton methodology. The CEO pay ratio under the current methodology is lower than the Hutton methodology because it includes the value of employer pension contributions, and therefore increases the value of the pay for the median employee.

### Methodology note

Under the current methodology, total remuneration includes all remuneration, including employer pension contributions, aligned with the directors' emoluments table on page 6.

As discussed above, pay ratios for the period up to 2018/19 were based on the Hutton methodology. Details of the methodology can be found in previous reports.

## Directors' emoluments

	Note	Base salary £000	Benefits 1 £000	Pension contributions and allowances 1 £000	<b>Total 2019/20 £000</b>	Total 2018/19 £000
<b>Executive Directors</b>						
David Pemsel (* to 2 December 2019)	2	577	3	99	679	706
Annette Thomas (* from 2 March 2020)	3	53	0	5	58	-
Katharine Viner	4	357	2	32	391	372
Richard Kerr (* to 27 March 2020)	5	420	3	48	471	439
<b>Independent Directors and Chair</b>						
Neil Berkett		120	-	-	120	120
Jennifer Duvalier	6	39	-	-	39	34
Yasmin Jetha		34	-	-	34	34
Nigel Morris		34	-	-	34	34
John Paton (* to 2 September 2019)		17	-	-	17	34
Baroness Gail Rebuck	7	44	-	-	44	44
Coram Williams	8	39	-	-	39	39
<i>Appointed in the year</i>						
Anders Jensen (* from 17 March 2020)	9	1	-	-	1	-
René Rechtman (* from 17 March 2020)	9	1	-	-	1	-
<b>Total Directors</b>		1,736	8	184	1,928	1,856

\*Date of appointment, resignation or other changes to directorships.

### Notes

- Executive directors' pension arrangements are paid in two parts. Contributions to the company pension are restricted to the annual tax-approvable limit of £10,000. Any value above this limit is paid as cash in lieu of pension contributions and subject to PAYE. Benefits comprise solely healthcare and life and income protection. The latter is calculated as a percentage of base salary. Where applicable, and noted below, allowances include the value of accrued holiday paid to Executives when leaving the Guardian.
- David Pemsel's base salary for the year was £630,000. David's company pension contribution rate was 17% of base salary. David did not receive any performance related variable compensation. As disclosed last year, David's salary was increased by 5% with effect from 1 April 2019. David left his role effective 2 December 2019 and in line with a contractual commitment in respect of the remaining three months of his notice period he received a one-off payment for salary and pension totaling £184,275. His salary, benefits and pension have been pro-rated to reflect his service during the year 2019/20. He did not receive any other payments in relation to leaving the Guardian.
- Annette Thomas' base salary for the year was £630,000. Annette's company pension contribution rate was 10% of base salary. Annette's salary, benefits and pension have been pro-rated to reflect her service during the year 2019/20.

4. Katharine Viner's base salary for the year was £357,000. Katharine's company pension contribution rate was 9% of base salary. As disclosed last year, Katherine's salary was increased by 5% with effect from 1 April 2019.
5. Richard Kerr's base salary for the year was £420,000. Richard's company pension contribution rate was 9% of base salary. As disclosed last year, Richard's salary was increased by 3.5% with effect from 1 April 2019. Richard resigned from his role on 27 March 2020. Richard did not receive any payments in relation to leaving the Guardian other than the payment of accrued holiday, paid in line with his contractual arrangement, and included as an allowance in the table above.
6. Jennifer Duvalier's remuneration included an additional fee for chairing the Remuneration & People Committee.
7. Baroness Gail Rebeck's remuneration included an additional fee for acting as Senior Independent Director.
8. Coram Williams' remuneration included an additional fee for chairing the Audit Committee.
9. Anders Jensen and René Rechtman were appointed on 17 March 2020, both with annual remuneration of £34,000. The remuneration reported reflects only their prorated service in March 2020.

## Service contracts

All executive directors have service contracts terminable on 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 29 March 2020 (being the year-end), or appointed subsequently, are as follows:

	<b>Contract / contract renewal date</b>	<b>Contract unexpired term at 29 March 2020</b>	<b>Notice period</b>	<b>Contractual termination payments</b>
<b><u>Executive Directors</u></b>				
Annette Thomas	17 March 2020	12 months rolling	12 months	Notice Period
Katharine Viner	1 June 2015	12 months rolling	12 months	Notice Period
<b><u>Independent Directors and Chair</u></b>				
Neil Berkett <sup>1</sup>	1 July 2019	2 years 8 months	By Chair, 3 months; by Company, none	None
Jennifer Duvalier <sup>2</sup>	1 May 2017	1 month	-	None
Anders Jensen	17 March 2020	2 years 11 months	-	None
Yasmin Jetha	1 February 2018	10 months	-	None
Nigel Morris	1 September 2018	1 years 5 months	-	None
Baroness Gail Rebeck	27 January 2019	1 year 10 months	-	None
René Rechtman	17 March 2020	2 years 11 months	-	None
Coram Williams <sup>3</sup>	27 January 2020	2 years 10 months	-	None

<sup>1</sup> During the year, Neil Berkett's extension of his reappointment as non-executive director and Chair became effective until 1 July 2022.

<sup>2</sup> Since year end, Jennifer Duvalier received an extension of her appointment as non-executive director until 1 May 2023.

<sup>3</sup> During the year, Coram Williams received an extension of his appointment as non-executive director until 27 January 2023

## **Governance**

The remuneration & people committee is responsible for setting the Group's compensation framework and for determining the remuneration packages of the executive directors and key senior managers. The committee retains the right to scrutinise and, if necessary, veto proposals for individuals outside this group, and has oversight of talent and the overall employee experience for all staff. The Editor-in-Chief of GNM's pay is set by the Scott Trust.

The committee has met on 3 occasions in the last 12 months. The committee consists of three independent Board directors, Jennifer Duvalier (the committee chair since 1 December 2017), Baroness Gail Rebusk and Yasmin Jetha. As chair of the Company, Neil Berkett normally attends the committee's meetings. In addition, on matters other than those concerning themselves, the chief executive, editor-in-chief, and group HR director normally attend meetings. Deloitte LLP is retained as independent advisors to the committee and the committee has access to other professional advice where necessary.

### **Jennifer Duvalier**

Chair of the remuneration & people committee

6<sup>th</sup> July 2020