

Directors' remuneration report 2021

The following pages set out GMG's Directors' remuneration report for the year ended [28 March] 2021. 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 has continued to actively engage with the Board of the Scott Trust during the year. As Chair I provided an annual update in June 2020 that covered the committee's activities throughout the previous year along with an analysis of the pay received by senior executives across the global organisation.

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 2020/21 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.

On 22 June 2020 Keith Underwood joined the Guardian as Chief Financial and Operating Officer. His salary was set at £420,000 and his pension arrangements were aligned with the contribution rates that apply to all employees. For the period from joining the Board to 31 December 2021 Keith voluntarily reduced his salary by 20%, in line with the approach taken by other members of the executive team.

Annette Thomas left the Guardian after the year end, on 30 June 2021. In line with contractual obligations a payment of 12 months' notice period was made and will be reported in the Directors' Remuneration Report for 2022.

Responding to COVID-19

As reported last year in response to the falling revenues and economic uncertainty arising from the outbreak of the Covid-19 pandemic the executive directors decided to take a 20% voluntary salary reduction and the non-executive directors took a 30% voluntary reduction to their fees. These voluntary reductions applied for the period 1 May - 31 December 2020. With effect from 1 January 2021 the reductions ceased and salaries/fees returned to their pre-Covid level. None of the executive directors or non-executive directors received an increase to their underlying base salary during the year.

At the start of the pandemic, and throughout the financial year, the company made use of the coronavirus job retention scheme, commonly referred to as the furlough scheme. The furlough scheme was legitimately operated in those areas of the business most severely impacted by the pandemic. The company has subsequently made the decision to return all of the money received through this support package to HMRC, on a voluntary basis. This decision was made in recognition of the fact that over the course of the financial year company wide revenues have proved more robust and resilient than forecast at the outset of the pandemic and thus it is appropriate to return the money.

Company restructure and impact on employees

During the year a significant restructure was undertaken, designed to address the strategic challenges facing the organisation. The pandemic accelerated the established trend of structural decline in certain areas and through this restructuring programme, the objective was to position the organisation for growth over the coming years.

The committee was actively involved in discussions relating to the proposed restructure and throughout the process was mindful of the potential impact on the diversity of the organisation, including from a gender and ethnicity perspective. The committee was supportive of the steps taken by the company to mitigate the risk of a disproportionate impact on diversity and was pleased that the representation of BAME employees was not adversely impacted with the fall of 1% in the representation of women being lower than expected.

The committee was also involved in discussions relating to the redundancy terms to ensure that they reflected our company values whilst remaining mindful of affordability constraints.

The RCICF played an important role, in this process, in ensuring that the committee was aware of the sentiment across the wider organisation and providing constructive input to the committee and to management.

Diversity and inclusion

The committee fully supports all efforts to ensure our workforce is diverse, inclusive and reflects the society the Guardian serves.

The committee received updates on the race action plan and the race steering committee, including feedback from the People of Colour groups and other representatives across the Guardian. The committee will continue to receive reports on developments in this area.

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, most importantly, to provide input on the action plans for the future. Despite the challenges of the last 12 months it is encouraging that progress against the action plans has continued and the committee will continue to apply scrutiny to progress and outcomes.

GNM is currently finalising a combined gender pay gap and ethnicity pay gap report, covering the 2020 and 2021 results.

Pay principles

As reported last year the committee has overseen the development of the Guardian's employee pay principles, 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 and encourage pay that is fair, understood and valued by our people. The committee notes that due to the uncertain nature of the last year the introduction of the principles was postponed and now anticipates that this will take place during the coming year.

Jennifer Duvalier

Chair of the remuneration & people committee

6 July 2021

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, recognising 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.

The principles adopted for the year ended 28 March 2021 are consistent with the GMG corporate governance code and the pay principles, and 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.

Executive 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. In 2020/21 the committee's remit over wider employee salary levels was reviewed to ensure appropriate oversight.

- **Salary** - The committee reviews salary levels for all Executive Committee roles (other than the Editor-in-Chief of GNM, for whom pay decisions fall under the remit of the Scott Trust). The committee also reviews proposals for any new roles with a salary over £150,000 per annum, or any increases to base pay for this population.
- **Benefits** - Benefits for Executive roles principally include private medical cover.
- **Pensions** - Executive roles participate in a money purchase pension scheme. Contributions to the pension scheme may be capped at the HMRC annual allowance limit (currently £4,000), 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 are aligned to the same age related contribution structure available to the wider workforce.

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. This year, the committee decided to include an additional ratio, against the company's minimum salary.

2020/21

The CEO and Editor-in-Chief single total figure of remuneration used for the purposes of the pay ratio reflects pay received for service during 2020/21, and therefore includes the voluntary 20% salary reduction applied during the period 1 May 2020 to 31 December 2020.

The CFOO single total total figure of remuneration used for the purposes of the pay ratio reflects the pay that Keith Underwood would have received had he been in post for the full year, including the voluntary 20% salary reduction that would have applied during the period 1 May 2020 to 22 June 2020.

The effect of the executive directors taking voluntary salary reductions during the year has been to reduce the ratios reported this year. Had the voluntary salary reduction not applied the ratio between the CEO and the median employee would have remained at 11.3. The reported ratios are expected to rise next year when the effect of the voluntary salary reductions is removed.

	Company's minimum salary	25 th percentile employee	Median employee	75 th percentile employee
CEO pay ratio	21.1	13.3	10.0	7.6
Editor-in-Chief pay ratio	11.9	7.5	5.6	4.2
CFOO pay ratio	13.7	8.6	6.4	4.9

The 25th percentile, median and 75th percentile employees were identified based on full-time equivalent salary data as at 28 March 2021. Pay details for the individuals on a full-time equivalent basis are set out below:

	CEO	Editor-in-Chief	CFOO (annualised)	Company's minimum salary	25 th percentile employee	Median employee	75 th percentile employee
Salary	546,000	309,400	364,000	27,000	42,000	56,000	72,820
Total pay	616,105	345,905	398,405	29,160	46,300	61,813	81,522

CEO pay ratio over recent years

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Hutton methodology	17.2	15.8	15.2	13.1	12.6	12.4	-	-
Current methodology	-	-	-	-	-	11.6	11.3	10.0

Prior to 2018/19, the CEO pay ratio was calculated based on the 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 (note 1) £000	Pension contributions and allowances (note 1) £000	Total 2020/21 £000	Total 2019/20 £000
Executive Directors						
Annette Thomas	2	546	1	69	616	58
Keith Underwood (* from 22 June 2020)	3	282	1	26	309	-
Katharine Viner	4	309	2	38	349	391
Independent Directors and Chair						
Neil Berkett		96	-	-	96	120
Jennifer Duvalier	5	31	-	-	31	39
Anders Jensen		27	-	-	27	1
Yasmin Jetha		27	-	-	27	34
Nigel Morris		27	-	-	27	34
Baroness Gail Rebuck	6	35	-	-	35	44
René Rechtman		27	-	-	27	1
Coram Williams	7	31	-	-	31	39
Former Directors						
David Pemsel (* to 2 December 2019)	8	-	-	-	-	679
Richard Kerr (* to 27 March 2020)	9	-	-	-	-	471
John Paton (* to 2 September 2019)		-	-	-	-	17
Total Directors		1,438	4	133	1,575	1,928

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

Notes

1. Executive directors' pension arrangements are paid in two parts. Contributions to the company pension are restricted to the annual tax-approvable limit which will be £0 where the Lifetime Allowance has been reached or £4,000 where contributions are made, reduced from £10,000 from April 2020. 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.
2. Annette Thomas' base salary for the year was £630,000, and was voluntarily reduced by 20% for the period 1 May 2020 to 31 December 2020. Annette's company pension contribution rate increased from 10% to 11% of base salary during the year in line with an age related increase under the scheme. Annette's salary, benefits and pension for 2019/20 were pro-rated to reflect her service during the year following her appointment.
3. Keith Underwood's base salary for the year was £420,000, and was voluntarily reduced by 20% for the period 22 June 2020 to 31 December 2020. Keith's company pension contribution rate was 8% of base salary. Keith's salary, benefits and pension for 2020/21 were pro-rated to reflect his service during the year following his appointment.
4. Katharine Viner's base salary for the year was £357,000, and was voluntarily reduced by 20% for the period 1 May 2020 to 31 December 2020. Katharine's company pension contribution rate increased from 9% to 10% of base salary during the year in line with an age related increase under the scheme.
5. Jennifer Duvalier's remuneration included an additional fee for chairing the Remuneration & People Committee.
6. Baroness Gail Rebuck's remuneration included an additional fee for acting as Senior Independent Director.
7. Coram Williams' remuneration included an additional fee for chairing the Audit Committee.
8. As disclosed last year, David Pemsel 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 were pro-rated to reflect his service during the year 2019/20. He did not receive any other payments in relation to leaving the Guardian.
9. As disclosed last year, Richard Kerr 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 in pay for 2019/20 in the table above.

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 28 March 2021 (being the year-end), or appointed subsequently, are as follows:

	Contract / contract renewal date	Contract unexpired term at 28 March 2021	Notice period	Contractual termination payments
<u>Executive Directors</u>				
Annette Thomas	17 March 2020	12 months rolling	12 months	Notice Period
Keith Underwood	22 June 2020	12 months rolling	12 months	Notice Period
Katharine Viner	1 June 2015	12 months rolling	12 months	Notice Period
<u>Independent Directors and Chair</u>				
Neil Berkett	1 July 2019	1 year 3 months	By Chair, 3 months; by Company, none	None
Jennifer Duvalier ¹	1 May 2020	2 years 1 month	-	None

Anders Jensen	17 March 2020	1 year 11 months	-	None
Yasmin Jetha ²	1 February 2021	2 years 10 months	-	None
Nigel Morris ³	1 September 2018	5 months	-	None
Baroness Gail Rebusk	27 January 2019	10 months	-	None
René Rechtman	17 March 2020	1 year 11 months	-	None
Coram Williams	27 January 2020	1 year 10 months	-	None

¹ During the year, Jennifer Duvalier's appointment as non-executive director was extended for its final term until May 2023.

² During the year, Yasmin Jetha's appointment as non-executive director was extended for a second term until February 2024.

³ Subsequent to the end of the financial year, Nigel Morris' appointment as non-executive director was extended until 1 September 2022.

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 July 2021