



Remuneration Report 2016

For the year ended 31 July 2016



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Chair's introduction

For the year ended 31 July 2016

On behalf of the Management Board, I present our Remuneration Report which explains the role of the Remuneration Committee ["the Committee"], the policies it has implemented, and its activities over the year ended 31 July 2016.

The Committee is comprised of RICS-qualified professionals and independent non-executives. No serving executive is a member of the Committee.

The aim of the Committee is to set a remuneration policy that is clearly aligned to RICS' strategic objectives, while taking account of the global markets in which we operate.

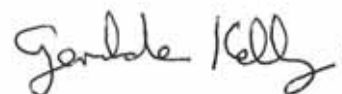
The Committee follows wider governance developments in relation to pay and seeks to implement these where possible and appropriate to ensure principles of good corporate governance are maintained.

In the past year the Committee met five times and discussed a number of matters which include:

- Management of the existing Long -Term Incentive Plan 2013-16 (LTIP1) for executives and key senior manager roles.
- Review of both the Long-Term Incentive Plan (LTIP1) and the annual Short-Term Incentive Plan (STIP) design to further enhance alignment with market practice.

- Design and implementation of a successor Long-Term Incentive Plan 2016-19 (LTIP2) for executives and key senior manager roles.
- Assessment of performance against 2015-16 annual bonus targets and resulting payout under the STIP.
- Review of employee annual salary increase recommendations.
- Oversight of all employee benefit arrangements globally.
- External benchmarking audit for executives and key senior managers in the organisation.

The Committee continues to maintain an open and transparent policy with regards to remuneration and believes this Remuneration Report is a demonstration of this commitment.



Geraldine Kelly
Chair, Remuneration Committee



Introduction

This report has been prepared on behalf of the Management Board by the Committee and is presented on a voluntary basis. The Royal Charter status held by RICS does not require the information held in this report to be published.

Committee membership & responsibilities

During the year ended 31 July 2016, the Committee comprised the following members:

Geraldine Kelly	Independent Chair
Robert Mahoney	Honorary Secretary (to June 2016)
Paul Marcuse	Chairman, Management Board
Chris Fossick	Representative of the profession
David Conroy	Independent Non-Executive Director
Elizabeth Spencer	Independent Non-Executive Director

The independent non-executives bring a wealth of experience from the employee reward industry to the development of reward practice at RICS, and we benefit from the contribution of their knowledge and expertise in this area. In addition, our representatives from the profession provide detailed insight into the industry sectors that RICS operates in, to provide the Committee with both a reward specific and industry oversight.

Robert Mahoney's term as Honorary Secretary ended in June 2016, and Bill Gater, Secretary to the Profession will become a member of the Committee from the 2016-17 financial year.

All appointments to the Remuneration Committee are made in accordance with the RICS Global Appointments Model which is overseen by the Nominations Committee.

The Chief Executive Officer (CEO), Director of People and Corporate Social Responsibility and other executives may attend meetings at the invitation of the Committee Chair, though they are not present for discussions regarding their own remuneration.

The Committee also takes external independent advice from remuneration committee advisers Mercer Limited, who were appointed in July 2015 for a three-year term. Mercer Limited is a member of the Remuneration Consultants' Group and, as such, operates under the Remuneration Consultants' Group Code of Conduct. Advice may be sought on matters related to remuneration market trends, external benchmarking data, survey data, corporate governance updates and remuneration policy.

The terms of reference for the Committee are available on request from governance@rics.org

The Committee's main responsibilities are:

- Reviewing and determining, at least annually, the terms of employment and remuneration package of the CEO and reviewing the decisions made for the Executive Team.

- Understanding the Chairman of the Management Board's performance assessment of the CEO against personal and corporate objectives.
- Conducting an appropriate external market audit and recommending the annual pay budget available to the organisation for salary reviews.
- Conducting a global reward audit to ensure the benefit policy remains compliant with local markets and the overall reward policy.
- Agreeing the percentage pay out of the RICS annual STIP each year depending on results.
- Overseeing the operation of the LTIPs, including a review of the participants, quantum of awards and selection of performance metrics and targets.
- Providing views on senior management succession and development planning, executive benefit schemes, and the strategic approach to reward for all RICS employees to the CEO for their consideration.
- Regularly reviewing the Committee's own performance against objectives.

The Remuneration Committee reports to the Management Board, which will ultimately authorise all key decisions made by the Committee.

Executive remuneration policy

The Committee's key objectives when setting the remuneration policy are:

- To ensure a clear link between remuneration and RICS' overall corporate strategy and performance.
- To set competitive total remuneration packages, with the appropriate split between variable and fixed pay, which will attract, retain and motivate high calibre executives to direct RICS successfully.
- Oversight of pay and employment conditions elsewhere within RICS when making decisions on executive remuneration.
- To take into consideration the wider environment for members' pay and employment conditions when making decisions on executive remuneration.
- To be mindful of remuneration policy developments in the wider corporate environment and how these can be incorporated into RICS' policy to promote good corporate governance and prevent reward for failure.

When setting executive remuneration packages, the Committee will use external benchmarking data from different sources. The Committee uses this information to compare remuneration packages against those found in other professional bodies and other similar sized private sector companies.



The Committee believes that it would be inappropriate to set remuneration at the levels found in large scale private sector companies only, but that this serves as a relevant reference point when considering the pay conditions in the market generally.

While benchmarking provides a general guide to pay levels in broadly comparable roles, the Committee is mindful of other factors, such as the contribution of the individual in the role, when setting remuneration packages.

Base salary

For the year to 31 July 2016 the CEO's salary was £242,755.

For the year commencing 1 August 2016, the Committee awarded the CEO a salary increase of 2% resulting in a salary of £247,610 per annum.

Pension and benefits

The CEO receives a cash allowance in lieu of a pension scheme of 16% of basic salary.

In addition the following group funded benefits are provided:

- Car allowance
- Private healthcare (family cover)
- Annual health screening
- Disability income protection
- Life insurance

Short-Term Incentive Plan (STIP)

RICS operates a Short-Term Incentive Plan (STIP) that rewards certain employees who are invited to participate, based on the delivery of corporate and financial targets and individual performance.

The corporate and financial targets are set by the Management Board each year and are cascaded to all participants.

For 2015-16 the STIP was dependent on the actual financial performance, set out in RICS' Business Plan, and performance against corporate and personal objectives. Any payment is subject to the overall underpin that no bonus is payable unless financial performance exceeds a threshold level. The STIP provides a claw back provision which allows the Committee to recover any amounts paid to any employee incorrectly as the result of a material misstatement and/or in cases of misconduct for up to 12 months after the payment of the bonus.

During the year the Committee reviewed the structure of the STIP to further enhance alignment with market practice and introduced regional targets (where appropriate) for participants with effect from 2016-17. The plan will continue to have a focus on RICS' overall financial performance and any payments will continue to be subject to meeting a minimum financial threshold. The STIP is expressed as an on-target percentage of salary.

The CEO's STIP is dependent on the achievement of personal and corporate objectives. The personal objectives for the CEO are agreed by the Chairman of the Management Board with a clear line of sight to the corporate objectives, which are reviewed and agreed by Management Board as part of the business plan process. The final assessment is conducted by the Chairman of the Management Board to determine the performance rating. An update of this assessment is provided to the Committee for review and Management Board for information.

In September 2016 the Committee agreed a bonus of £103,171 to be paid in respect of the year ended 31 July 2016. The bonus earned for the year ended 31 July 2016 was based on RICS' performance during the year, where the financial performance was delivered above target and a significant number of corporate objectives achieved, as well as strong



personal achievement and leadership of the CEO. The Committee is comfortable that the bonus awarded appropriately reflects both organisational and personal performance for the year under review. This bonus was paid in October 2016.

For the CEO, the 2016-17 STIP will be structured in line with all other participants. The maximum opportunity available under the STIP remains unchanged.

Long-Term Incentive Plan (LTIP)

As part of a review of the remuneration structure for the Executive Team in 2013, the Committee implemented a cash-based LTIP. The objective of the LTIP was to incentivise the delivery of superior business performance and 'value' increasing opportunities, in direct support of RICS' longer term strategy to develop its global positioning as a professional body. The relevant performance metrics were set by the Management Board and have been monitored by the Committee on an annual basis during the performance period of 1 August 2013 to 31 July 2016.

The Committee agreed that the new remuneration structure to include an LTIP would also provide for a reduced STIP to allow greater focus on the longer term three-year strategy. The maximum payment available under the LTIP is based on a percentage of the participants' three-year cumulative base salary.

As with the STIP, the LTIP is subject to a claw back provision, which allows the Committee to recover overpayments as a result of material misstatement and/or in cases of misconduct for up to 12 months after any payment is made.

The Committee assessed the performance of LTIP1 at the end of the three-year period to 31 July 2016 based on financial data approved by the Finance Committee; the overall financial performance exceeded the targets set and all three underpins

were also achieved resulting in maximum payment under LTIP1. In September 2016, the Committee agreed a payment under LTIP1 of £176,636 to be paid to the CEO. This payment was made in November 2016.

As part of the remuneration review in 2013, it was the Committee's intention that a new LTIP performance period would be set every three years. The Committee therefore approved the implementation of a successor Long-Term Incentive Plan (LTIP2) in June 2016. The purpose of LTIP2 remains the same; to reward participants for their contribution to driving the long-term strategic vision of RICS and delivering performance that is incremental to business plan expectations over a three-year time frame.

Risk

The Committee is aware of its responsibility to maintain effective risk management controls in relation to the remuneration policy. The Committee reviews the overall policy, in particular the STIP and LTIP, to ensure it continues to operate within RICS' overall risk framework.

When setting the corporate and individual performance targets within the STIP and LTIP, the Committee is aware of potential environmental, social and governance issues.

Signed:

Geraldine Kelly
Chair, Remuneration Committee



Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We accredit 125,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. From environmental assessments and building controls to negotiating land rights in an emerging economy; if our professionals are involved the same standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

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