



# Remuneration Report 2016-17

For the year ended 31 July 2017



## Chair's introduction For the year ended 31 July 2017

On behalf of the Remuneration Committee, 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 2017.

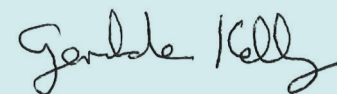
The Committee is comprised of RICS- qualified professionals and independent non-executives. No serving executive is a member of the Committee. The aim of the Committee is to set a remuneration policy that is clearly aligned to RICS' strategic objectives, while taking account of the global markets in which we compete for talent. 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 four times and discussed a number of matters which include:

- Management of the vesting of awards under the Long -Term Incentive Plan 2013-16 (LTIP 1) for executives and key senior manager roles. In light of the business success achieved, the Committee approved payments under the LTIP 1 and payments were processed in November 2016.
- Development and implementation of a successor Long-Term Incentive Plan 2016-19 (LTIP 2) for executives and key senior manager roles. The Committee approved awards under LTIP 2 for 18 key senior management roles. Subject to the level of performance achieved, any payments under the Plan will be made in late 2019.
- Review of the annual Short-Term Incentive Plan (STIP) design to ensure that it continues to be closely aligned to the organisation's Business Plan and further enhances alignment with good practice.

- Assessment of performance against 2016-17 annual bonus targets and resulting payout under the STIP.
- Review and approval of the executive and employee annual salary increases, effective from 1 August 2017.
- Oversight of:
  - the HR key performance indicators in relation to recruitment, retention and development;
  - the HR Risk Register;
  - the steps the organization is taking to comply with the UK Gender Pay Reporting requirements; and
  - a global audit to assess compliance with all employee-related employer tax and legal obligations
- External benchmarking audit for executives and key senior managers in the organisation, conducted with Mercer Limited, RICS's external, independent remuneration advisors.

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

Although the Royal Charter status held by RICS does not require disclosure of executive reward, RICS believes in adhering to the highest standards of corporate governance. As such, this report has been prepared on behalf of the Management Board by the Committee and is presented on a voluntary basis.

## Committee membership and responsibilities

During the year ended 31 July 2017, the Committee comprised the following members:

<b>Geraldine Kelly</b>	Independent Chair
<b>Bill Gater</b>	Secretary to the profession (From 28 June 2016 to 4 October 2017)
<b>Paul Marcuse</b>	Chairman, Management Board
<b>Chris Fossick</b>	Representative of the profession
<b>David Conroy</b>	Independent Non-Executive Director
<b>Elizabeth Spencer</b>	Independent Non-Executive Director

The independent Non-Executives are reward professionals who bring a wealth of experience from a wide variety of sectors 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.

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 by the Remuneration Committee 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](mailto: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 by the CEO for the Executive Team;
- Reviewing the Chairman of the Management Board's performance assessment of the CEO against personal and corporate objectives;
- Conducting an 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 which will be informed by business results and achievement against objectives;
- 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 his consideration;
- Maintaining a focus on risk, compliance and reporting obligations that relate to remuneration by ensuring that:
  - (i) there are effective risk management controls in place; and
  - (ii) all compliance and reporting obligations are carried out in an accurate and timely way;
- 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; and
- 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, the performance of RICS and pay budgets for the wider workforce when setting remuneration packages.

## Base salary

For the year to 31 July 2017 the CEO's salary was £247,610.

For the year commencing 1 August 2017, the Committee awarded the CEO a salary increase of 1.75% resulting in a salary of £251,943 per annum.

## Pension and benefits

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

In addition, the following group funded benefits are provided in line with typical market practice:

- Car allowance
- Private healthcare
- 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 reviewed and agreed by Management Board at the start of each financial year and are cascaded to all participants.

For 2016/17 the STIP was dependent on the actual financial performance achieved compared to RICS' Business Plan, and performance against corporate

and personal objectives. To further enhance the link to performance, regional financial and other targets (where appropriate) were introduced for certain participants. Any payment is subject to an overall financial underpin, such that no bonus is payable unless financial performance exceeds a threshold level. The STIP is subject to 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 twelve months after the payment of the bonus.

The CEO's STIP is dependent on the achievement of personal and corporate objectives. The personal objectives for the CEO are reviewed and agreed by the Chairman of the Management Board with a clear line of sight to the corporate objectives. The corporate objectives are reviewed and agreed by Management Board, at the start of the financial year, as part of the annual Business Plan process. The Chairman of the Management Board provided the Committee with his assessment of the CEO's performance and recommended a rating to the Committee for approval. The Committee, taking into account the Chair's assessment and the Management Board's review of the corporate objectives approved the CEO's performance rating. The Committee provided the Management Board with a summary update for information.

In September 2017, the Committee approved a bonus of £80,164 (equal to 32.4% of the CEO's salary for financial year 2016/17) to be paid in respect of the year ended 31 July 2017. The bonus paid to the CEO in respect of financial year 2015/16 was £103,171 (equal to 42.5% of his salary for financial year 2015/16). The bonus earned for the year ended 31 July 2017 was determined by RICS' performance during the year 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.

## Long-Term Incentive Plan (LTIP)

The primary objectives of the LTIP are to incentivise the delivery of superior business performance and value increasing opportunities and serve as a retention tool in direct support of RICS' longer term strategy to develop its global positioning as a professional body.

The relevant performance metrics for the 2013 grant (LTIP1) were incremental to the performance targets approved by the Management Board to support RICS' strategy to develop its global positioning through several long-term projects. The performance measures have been monitored by the Committee on an annual basis during the performance period of 1 August 2013 to 31 July 2016.

The maximum payment available under the LTIP is based on a percentage of the participants' three-year cumulative base salary. 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 LTIP 1 (2013 to 2016) 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 resulting in maximum payment under LTIP 1. In September 2016, the Committee approved a payment under LTIP 1 of £176,636 (i.e. £58,878 per annum) to be paid to the CEO.

In 2016/17, LTIP 2 covering period 2016 to 2019 has been agreed and the LTIP 2 plan has been issued to participants.

## Risk, Compliance and Reporting

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 annual bonus and LTIPs, to ensure it continues to operate within RICS' overall risk framework.

During financial year 2016/17 the Committee has conducted quarterly reviews of: -

- the HR Risk Register which is updated on an ongoing basis to document risks that have been identified and the mitigation actions that are being taken to minimize risk;
- the UK Gender Pay Reporting Regulations that came into effect in April 2017, the gender pay gap that has been identified at RICS and the actions that are being taken to address the gender pay gap; and
- the HR key performance indicators relating to recruitment, retention and development.



**Geraldine Kelly**

Chair, Remuneration Committee





## Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

### Americas

#### Latin America

[ricsamericalatina@rics.org](mailto:ricsamericalatina@rics.org)

#### North America

[ricsamericas@rics.org](mailto:ricsamericas@rics.org)

### Asia Pacific

#### ASEAN

[ricsasean@rics.org](mailto:ricsasean@rics.org)

#### Greater China [Hong Kong]

[ricsseastasia@rics.org](mailto:ricsseastasia@rics.org)

#### Greater China [Shanghai]

[ricschina@rics.org](mailto:ricschina@rics.org)

#### Japan

[ricsjapan@rics.org](mailto:ricsjapan@rics.org)

#### Oceania

[oceania@rics.org](mailto:oceania@rics.org)

#### South Asia

[ricsindia@rics.org](mailto:ricsindia@rics.org)

### EMEA

#### Africa

[ricsafrica@rics.org](mailto:ricsafrica@rics.org)

#### Europe

[ricseurope@rics.org](mailto:ricseurope@rics.org)

#### Ireland

[ricsireland@rics.org](mailto:ricsireland@rics.org)

#### Middle East

[ricsmiddleeast@rics.org](mailto:ricsmiddleeast@rics.org)

#### United Kingdom RICS HQ

[contactrics@rics.org](mailto:contactrics@rics.org)

[rics.org](https://www.rics.org)